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## **China**

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# China

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**Political Reform Advocate Traces Evolution of His Ideas**

40050405 Beijing XINHUA WENZHAI [CHINA DIGEST] in Chinese No 1, Feb 89 pp 1301-34

[Article by Yan Jiaqi 0917 1367 0366: "From Science to Philosophy to Political Science"]

[Text] Picture the ideas of man as a "world." Within this "world of ideas" there are many "nations," such as the "Nation of Physics," the "Nation of Astronomy," the "Nation of Psychology," the "Nation of Economics," and the "Nation of Sociology." The "Nation of Biology" and the "Nation of Anthropology" are neighbors, as are the "Nation of Political Science" and the "Nation of Law." Between the "Nation of Astronomy" and the "Nation of Psychology," however, there is a wide gulf; so far no "diplomatic" ties have been established between them. Needless to say, the "world of ideas" includes not only "scientific ideas," but also "ethical ideas," religious ideas, "imagination, fantasy, and all manner of random thoughts." An individual's "autobiography of ideas" is a record of his brief journey through different parts of the "world of ideas." As in the "material world," a person's activities are limited in the "world of ideas." In the "material world," I have sailed the oceans from Asia to North and South America and Western Europe. In the "world of ideas," I was fortunate enough to have visited the Kingdoms of Science, Philosophy, and Literature.

**1. The Starting Point of New Scientific Progress**

I was exactly 22 when I entered the Kingdom of Philosophy from the Kingdom of Science. I discovered that in contrast to the bright sunshine in the Kingdom of Science, the weather in the Kingdom of Philosophy is highly changeable. Sometimes the sky is so clear you can see for miles; at other times the place is shrouded in fog.

In the Kingdom of Science, there is a clear division between truth and falsehood. When an existing scientific theory cannot explain a new discovery or a newly found truth, it must be revised. This was the basic scientific view I learned between 1959 and 1964 when I was studying at the Chinese University of Science and Technology. When classic physics failed to explain the Michelson-Morley Experiment, Einstein came up with a new theory in his search for an explanation to the experiment. To scientists, the failure of existing theories to explain a newly found fact is never a crisis, but the starting point for new progress in science. Just the opposite is true in the Kingdom of Philosophy, as I was to discover. In 1964, a vehement debate was under way in the Kingdom of Philosophy in China over "one divides into two" and "two combine into one." I was troubled at the "one" and "two" that kept coming up in the polemical writings of the two sides in the debate. I considered these writings the "philosophical" counterpart of "setting-up exercises to radio music." "One divides into two." "Two combine into one." Which was really true? Which was false? Yet the two sides each

quoted authoritative works copiously to prove they were right. I could not but recall what French thinkers had said about the "writings of the annotators of sacred texts." "These writers find in the holy books what they believe, not what they should believe. They do not consider the holy books a scripture on the religious creed and accept such a creed. Instead, they consider it a book that can lend authority to their own beliefs. Consequently they distort all the meaning in the books, twisting out of shape every chapter, every paragraph. This is a piece of land. People of all factions and sects can force their way into it, as in a robbery. This is a battlefield. Opposing countries meet and fight here. Some charge, some skirmish. The methods are numerous." Only after I entered the Kingdom of Philosophy did I realize arguments like those revolving around "one divides into two" and "two combine into one" were so much meaningless humbug.

My foray into the Kingdom of Philosophy had something to do with two so-called philosophical articles that I wrote when I was in college. One, published in SHUXUE TONGBAO in February 1963, was a precise mathematical interpretation of philosophical concepts. The other, published in RENMIN RIBAO in March 1964, discussed the relationship between "concept" and "existence." In the first article, I analyzed "second order curve" from the perspectives of rigid motion group, affine group, and projective transformation group. Viewed retrospectively, it contained some of the seeds of the "catastrophe theory." Influenced by Professor Guan Zhaozhi [7070 5128 4160], who was full of enthusiasm for "mathematical dialectics," and because of my own interest in exploring new, unknown territory and fascination with conceptual games in philosophy that were equivocal and ambiguous, I finally gave up the opportunity to make scientific exploration on the newest frontier of science in the 20th century—the computer and basic particle physics. Even today I have not forgotten the regretful expression and remarks of Professor Zhang Shesui [1728 0152 3606] of the Chinese Academy of Sciences [CAS], the well-known expert in theoretical physics, when he heard that I wanted to enter the Kingdom of Philosophy.

**2. "The Twilight of Philosophy"**

In September 1964 I joined the Philosophy Institute as a graduate student specializing in "natural dialectics." When I applied for admission as a graduate student in philosophy, I was asked to write a commentary on "The Twilight of Philosophy," a report on an interview with (?Leopold Infeld), the Polish physicist and a friend and colleague of Einstein, by a reporter with POLITYKA, a Polish magazine. Leopold Infeld told the reporter that "Concepts raised in philosophy in the past have now become physics. In the hazy pre-science era, philosophy made sense." "Philosophy is a collection of issues whose answer depends on an assumption of 'faith.'" "Philosophy has never been a full pocket. Today this pocket is empty or almost empty because that part of it which

has become independent science has been shaved off. Time, space, material, atom...they have all been captured by physics." The reporter said that after reading "The Art of Thinking" by (?Lattier), she became skeptical about the host of ideas that seemed vague and confused from a scientific viewpoint. At the same time she also felt a kind of ambiguous satisfaction and fascination. Infeld replied, "What some philosophers say about 'the world' and 'atom' are actually cheap stuff intended to fool people." "Step by step physics is replacing metaphysics. The joy of understanding replaces religious infatuation. The victory of reason achieved through hard work is a source of pride, whereas metaphysical infatuation that comes about effortlessly is transient and deceptive." While I did not agree with Infeld's proposition about "the twilight of philosophy," I could never forget his ideas. It was they that stopped me from manufacturing the confused stuff based on faith that gave people a kind of vague satisfaction. I still remember one thing the reporter said, "People have long realized that they can no longer grope around casually in the vast and somewhat turbid ocean of the humanities." After I entered the Kingdom of Philosophy, Infeld turned me into a firm opponent of groping in the muddy waters of the sea of the humanities, making up specious arguments intended to hoodwink people.

### 3. Living in the Kingdom of Theology, Where "Authorities" Are Invoked

On 30 May 1966, I returned to Beijing from Xuxin Village, a muddy place in Tong County in the outskirts of the capital. Everybody at the Philosophy Institute stayed up all night that day attending a meeting to expose the "three family village" at the institute. Henceforth I was forced to leave the Kingdom of Philosophy for the Kingdom of Theology.

In flavor and style, the Kingdom of Theology was utterly different from the Kingdom of Science. In the former, the mouth served one purpose, namely that of eating, not expressing one's thought. In 1967, as the Cultural Revolution surged toward its climax, a deeply thoughtful young man at the Philosophy Institute wrote, "Compared to the mouth, the ear is a much more passive thing. One man's ear does not vary all that much from that of another person. What you hear is also what the next person hears. Only the mouth expresses a person's thought and sharply distinguishes one person from another. At present, those who use their mouths (for social purposes) are few and far between. Everybody else is an ear." After his notes were discovered, he was denounced repeatedly as a "counterrevolutionary" and was finally driven to commit suicide. The death of this young man shook me up. I discovered that the Kingdom of Theology was exactly as Marx had described it. "Only a handful of people were 'prophets who could communicate with God.' Everybody else is a fool who listens to the prophets, his mouth agape." In this kingdom, reason and science were replaced by faith and worship. As the young man said, "Everybody says the same things. A

high degree of democracy, a high degree of unification. That way the deadly silence in which '10,000 horses are muted' is broken. The symphony becomes a roar of drumbeats. Such magnificent, stirring music! The drum replaces everything, destroys everything. A new age in which the drum is the only musical instrument will usher mankind into a new world." I had boundless admiration for the young man's perceptiveness at the height of the Cultural Revolution. I sympathized with him. I was also convinced that in their hearts of hearts, many people viewed the Cultural Revolution the same way. However, thought control in the Kingdom of Theology prevented even people living together from communicating their thoughts with one another. After living in the Kingdom of Philosophy for 2 years, I was better able to understand what was happening in the Kingdom of Theology. Bertrand Russell said, "Philosophy is something that is halfway between theology and science. Like theology, it includes human thought on things that knowledge cannot yet affirm. But like science, it appeals to man's reason and not authority." In fact, Chinese philosophy in the early 1960's more often invoked some "authority" than man's reason. Philosophy then was laced with theology. After June 1966, everything in China invoked one "authority" or another. I was not particularly amazed at what was happening around me.

I observed the world around me from the perspective of a scientific worker. To scientists, all things and phenomena that are hard to understand can be explained. All "nonrational" phenomena can be explained rationally. Belief, authority, worship, and even fanaticism are the objects of scientific study. I wanted to explain reality, only to discover my lack of historical knowledge. When I was in high school, I was eager to "understand" the world around me but was reluctant to make the effort to "memorize" things. Thus subjects like languages, history, geography, and politics, which require a good deal of "memorizing," did not impress me much. Given the conditions at the time, I could try to understand history only through the works of Marx and Engels. To me, their works were the fountainhead of historical knowledge. Studying the works of Marx and Engels in the Kingdom of Theology made me realize the importance of history and acquainted me with many historical figures and events which would never have excited my interest in the past. It was also in the works of Marx and Engels that I experienced a sobering rationalism that had disappeared without a trace from the world around me.

In the Kingdom of Theology, there can be no sincere exchange of ideas, no candid dialogue of innermost feelings between individuals. That being the case, I traveled all over the ancient world to engage in a warm and friendly dialogue with the ancients. I visited Caesar of ancient Rome, Alexander the Great of Macedonia, Louis XIV, Robespierre, Napoleon, Charles V of Spain, Cromwell and Palmerston of Britain, Washington, Jefferson, and Lincoln of the United States, and Li Shimin and Sun Yat-sen of China. I also met with Aristotle, Thomas Aquinas, John Locke, Montesquieu, Voltaire,

Rousseau, Flaubert, Moliere, and (?Mabuli 7456 1580 0448). In China in those days, you could not get hold of books in the library. Between 1967 and 1971, therefore, I borrowed numerous books from Ru Xin [3067 0207], Guo Yuo [6753 2148], Yi Da [0122 6671], Gao Dichen [7559 3321 7115], and Zhu Jingxia [2612 7234 7209]. Thus as tumultuous change was swirling around me, I collected all kinds of the Red Guard tabloids and Cultural Revolution publications available, on the one hand, and roamed the ancient world, on the other. What astonished me was that what was happening in the real Kingdom of Theology resembled the Reformation of Martin Luther in form in many ways. In Martin Luther's times, they used the Bible to attack the establishment of the Church. In China in the real world, people used the "Quotations" to attack the political establishment. In my sobriety, however, I realized that there was an essential difference between the two. The Reformation propelled history forward, whereas the events in the Kingdom of Theology in China were drawing history backward.

After I returned to Beijing from the "cadre school" in Minggang in Henan Province in 1972, I set about doing two things: writing a book on the energy problem in an effort to explain the part played by the development of energy science and technology in economic growth, and doing systematic research on the government systems of different nations. In 1976, my book *Energy* was published by Kexue Chubanshe. At the same time, I completed the manuscript on *Government Systems in Socialist Theory*.

#### 4. An "Eyewitness Account of the April 5 Movement"

The Tiananmen Square incident of 1976 has a far-reaching impact on Chinese politics. At Tiananmen Square, I was able to breathe a fresh air of science and democracy absent from the Kingdom of Theology. At the square, people were not subject to the discipline of the Kingdom of Theology and free to express their thoughts and feelings. The "great revolutionary criticism" created a political atmosphere which made people doubt their innermost thoughts. At Tiananmen Square, they realized almost to a man that they thought alike. Public opinion control during the Cultural Revolution kept men apart; the free dialogue on the square linked them together. People became aware of their strength. From 25 March to 7 April, I went to the Square everyday. Between 1 and 5 April, I spent the better part of every day there, taking pictures, and copying the poems.

On 5 April, I witnessed the entire event that came to be known as "Tiananmen Square Incident." Standing on the steps outside the eastern gate of the Great Hall of the People and surrounded by crowds, I took the lead in chanting, "Long live the people!" With crushing crowds milling around me, I jotted down two poems, including "A Salute to Workers' and Peasants' Own Troops," that we were reading out aloud in unison. When the rally was traversing the square, I headed for a small gray building

at the southeast corner of the square, pushing my bicycle with me. The most important personality in the whole incident was a bespectacled young man in a blue khaki jacket, part of his herringbone shirt peeking out through the collar. I told this young man that I wanted to record the memorial activities at the square that day and write a book about them. From November 1976 to late 1977, I interviewed participant after participant in the incident but I could not find him again. Even today he has never resurfaced. In early 1978, I finished a 80,000-character manuscript entitled "An Eyewitness Account of the April 5 Movement" and sent it to Renmin Chubanshe. At first the office of the editor-in-chief turned it down but did inform the political editorial office about it. In November 1978, I suddenly received a letter from Renmin Chubanshe asking me to finalize the manuscript within 2 months for publication before the third anniversary of the Tiananmen Square incident. Only then did I discover the manuscript was full of flaws and needed to be amplified. Working with several friends including Luan Wenhua [2940 2429 5478], Liu Changlin [0491 7022 2651], and Li Huiguo [2621 1920 0948], I rewrote the manuscript. On 5 April 1979 our collaborative effort, "An Eyewitness Account of the April 5 Movement" was published. It sold 80,000 copies nationwide.

#### 5. "The Three Courts"

Beginning in May 1978, a nationwide discussion went under way revolving around the criterion of truth. It marked the beginning of the disintegration of the Kingdom of Theology in the world of ideas in China. I was jubilant at this piece of historical progress. In July 1978, the CAS convened a meeting on the "criterion of truth" where I delivered a speech entitled "Scholasticism in the Middle Ages and the Theory of Dual Truth." In the same month, ZHEXUE YANJIU sponsored a seminar on the relationship between theory and practice where I spoke on "three courts" in one of the group sessions. I noticed that seminar participants were not interested in my "nonphilosophical treatise" type of speech. However, I was convinced that combining "literature" and "philosophy" and discussing "the criterion of truth" in the style of the "philosophical novel" would strike a responsive chord. So I revised and beefed up the speech and sent it to the theory department of GUANGMING RIBAO in August. On 14 September the newspaper published the 20,000-character article, devoting two full pages to it.

Actually this article was a reenactment of my visit with the ancients in 1968-69. I boarded an airship, R-1001, and visited the Inquisition of 17th century Italy, the "Court of Reason" of 18th century France, and the "Court of Practice" in the future China. To visit the "Court of Reason," I went to (?Ferney), a small town at the French-Swiss border. Using my imagination, I described at length the house where Voltaire lived in Ferney when he was there. This place was blanketed with flowers. I spent all my time visiting mountains, rivers, and terraces, taking in the scenic beauty of this town.

Then I participated in a "philosophical discourse" with Voltaire, Montesquieu, Rousseau, and Diderot. Through the mouths of Diderot and Voltaire, among others, I attacked the religious tyranny and political autocracy that prevailed in France at the time. After this article was published, it was excerpted in ASAHI SHIMBUN in Japan, DIE SPIEGEL, the West German weekly, and other foreign publications. One newspaper ran a special commentary on it entitled "A Signal Flare Against Feudal Autocracy." Hundreds of readers wrote to me, their passionate letters giving me a good deal of support. One reader wrote that when the International Aviation Organization organized its next flight transcending time, he hoped he would be notified so that he could join it. He also said, "If Lin Biao and Jiang Qing stage a 'comeback' and throw you into jail, I would come with you." A year later, I rewrote this article into a book entitled *A Flight That Transcends Time*. It was published by SHANGHAI RENMIN CHUBANSHE.

#### 6. Abolish Life Tenure for Top Leaders

In early 1979, I attended a national theoretical work conference—the "theory seminar," which marked the culmination of the nation-wide ideological liberation movement that began in May 1978 with the opening of the discussion on the "criterion of truth." I had plunged into the ideological liberation movement with full fervor. When the seminar was adjourned during the Spring Festival holiday, I stayed home to write a lengthy speech on the need to work out a government system for socialist nations. At the time, few people in China was into political science research. On 4 February 1979, I delivered a speech at a group session, arguing that we must study government systems in socialist nations from the perspective of political science. Since socialist nations must adopt a republican form of government, people who wield supreme state and party power in socialist nations must not stay in office for life. Life tenure for top government and party leaders must be abolished. I was inspired to learn from the seminar bulletin that many people, including Yu Haocheng [0060 3185 2052] and Li Shu [7812 3412], agreed with my speech.

After the conference, I wrote an article called "Democracy Examined." I boarded an airship, R-1002, and visited Paris in the 18th century. I called on Louis XIV at the Versailles and visited the future Britain and the United States, studying three political systems in three countries in different ages. This was my first "flight transcending time" after my "three courts" flight where I visited truth. In the article, I continued to argue that socialist nations must abolish life tenure for top party and government leaders. During this visit, I met with Richard Bruce, president of the American Political Science Association. Interestingly, when I was working on the article in the first half of 1979, the campaign to establish a political studies association in China was still in the future and I was not even sure there was a political science association in the United States. I met with Philip (?Kang Fu Si 1660 1715

2428), a former chairman of the American Political Science Association; Richard (?Fen Nuo 0434 6179), its chairman; and Alan (?Wei Da Fu Si Ji 4850 6671 1133 2448 1015), president-elect, when they visited China in May 1985 at the invitation of the president of the China Political Studies Association, Zhang Youyu [1728 0645 3342]. In July 1985, I attended the 13th world convention of the International Political Science Association in Paris and met with them again. In "Democracy Examined," I imagined discussing the idea of limiting the tenure of top leaders in socialist nations with President Richard Bruce. He said, "The failure to limit the term of office of top officials will inevitably destroy the election system and lead to a de facto life tenure system. Under private ownership, life tenure and autocracy were intimately related. Not a single monarch ever willingly gave up his throne. Under the republican form of government, the term of office of a head of state is strictly limited. If he does not live up to his responsibilities, he can be removed through the ballot box, whereas a monarch could be removed only through force. Once the sound of anguish of the people is silenced by the monarch, the people can express their demand through violence only. As long as there is life tenure, there will be dynastic rule and the state will be trapped in an endless dynastic cycle—Suppression, resistance, reform, the birth of a new dynasty. And on and on it goes."

In October 1979, I attended the academic conference marking the 30th anniversary of the founding of the PRC and continued to preach the abolition of life tenure for the top party and government leaders and the establishment of a socialist republican political system. I recall that Bao Tong [7637 1749] followed me to the podium and delivered an excellent speech. He said, "The PRC is our country. The Chinese people love this republic. What is a republic? What are the basic characteristics of a republic? I think every citizen in this republic is duty-bound to examine this issue solemnly and earnestly. I do not have the slightest doubt that this republic of ours supports the people in studying what a republic is, which is such an important issue." When I ran into Bao Tong again later, the first thought that flashed across my mind that "this is the man who supports the citizens of a republic in trying to find out what a republic is." In December 1982, a new constitution of the PRC was born. It states explicitly that the head of state (chairman) and head of government (premier of the State Council) "shall serve not more than two consecutive terms."

#### 7. Goodbye, "Kingdom of Natural Dialectics"

In early 1980, the Chinese Academy of Social Sciences [CASS] asked Zhang Youyu to make preparations for the creation of a political studies institute and a political studies association. In April of the same month, I became involved in the drafting of an "outline plan for national political science research." From 8 to 10 May, I attended the Chinese Political Studies Association preparatory conference, where a heated debate took place on what to call the organization. There were three

opinions. Apart from "China Political Studies Association," others suggested "Chinese Political Studies Society" and "Chinese Political Science Association." From 23 to 28 December, the Chinese Political Studies Association convened its inaugural meeting in Beijing. I was elected a director.

Despite my heavy involvement in political research and work, I was still with the Philosophy Institute and maintained many contacts with natural dialectics. On 28 October 1981, I attended the inaugural meeting of the Chinese Natural Dialectics Institute. In the afternoon the next day, I addressed the meeting and delivered a speech entitled "Prospects for the Kingdom of Natural Dialectics." Yu Guangyuan [0070 0342 6678], the famous modern Chinese thinker, has said that as "nations," scientific disciplines can be classified as "powers," "weak nations," "neighboring nations," and "nonneighboring nations." I said at the meeting that political science was then a "weak nation," while its neighboring nation, "law," was more powerful. I said, "We can push the 'nation' analogy one step further. The principle of 'majority rule' does not exist in the 'nations' in the 'world of ideas,' so there is no 'democracy' worth mentioning. That is why they are 'kingdoms,' not 'republics.' These 'nations' follow a 'feudal system,' not a 'unitary system.' Every nation is made up of many 'constituent nations' (that is, 'subspecialties'). The map of the 'world of ideas' is constantly changing. In the real world, nations enter into various kinds of relationships with one another—cooperation, alliance, invasion, and war, which change as the times change. We have seen vast empires—the Roman Empire, the empire of Alexander the Great, and the empire of Genghis Khan—break up and disintegrate."

Something similar happens in the "world of ideas." Invasion, war, merger, and disintegration also occur between "nations." To capture research turf, "Physics" has consistently been plundering the territory of "Chemistry." Now and then "Politics" and "Law" argue fiercely over a small piece of territory. It is precisely because of these conflicts and wars that the map of the "world of ideas" is changing all the time. "Natural Philosophy" was a huge empire in the "world of ideas" in ancient times. In the wake of developments in natural science in modern times, it has disintegrated. In my address to the inaugural meeting, I said, "To ensure their long-term survival in the 'world of ideas,' the 'nations' need clear and independent objects of study as well as a social need for such 'nations.' On the modern map of the Chinese 'world of ideas,' a large kingdom has taken shape during the past 10 to 20 years. It is the 'Kingdom of Natural Dialectics.' Unfortunately, part of this kingdom is located in a desolate, uninhabited desert, with unclear boundaries. It is constantly at loggerheads with its neighbors. In recent years, this kingdom has also been torn by internal strife. Scientific philosophy and scientific sociology are said to be parts of 'natural dialectics,' but they are trying to win independence. Nationalism is

running rampant. All this may lead to a radical redrawing of the map of the 'world of ideas.'" I also told the inaugural meeting, "We have only one life to live. When one dedicates one's life to a certain kingdom in the world of ideas, one must carefully examine the future of that kingdom. For the past 10 to 20 years, people in natural dialectics have never figured out clearly what the objects of study are in natural dialectics." "One thing we are sure of. If we took nature in its entirety as the object of study in natural dialectics, we would repeat the mistake of natural philosophy. Scientology, which takes science itself as its object of study, is an independent discipline. In the 'Kingdom of Natural Dialectics' today, member nations like 'scientology,' 'scientific philosophy,' and 'scientific administrative science' are gradually expanding their power to challenge the federal government of natural dialectics."

This speech was published in Issue 20 of the "Bulletin of the Inaugural Meeting of the Natural Dialectics Research Society" and can be regarded as my farewell speech to the "Kingdom of Natural Dialectics." I do not think scientific progress will deprive philosophy and religion of their territory in the "World of Ideas." But my faith in "science" nurtured during my 5 years of study at the Chinese University of Science and Technology cannot be banished from my head. Scientific concepts should be clear and precise. Even "hazy" phenomena can be described, analyzed, and studied with clear and precise concepts. Vague poetry exudes an artistic beauty, while hazy concepts only confuse people. Ambiguity may be the hallmark of a trend in art, but is totally incompatible with science. Since this was the way I viewed science, making it impossible for me to contribute to the "Kingdom of Natural Dialectics," I finally left it and entered the "Kingdom of Political Science," which was then taking shape. In May 1982, I became leader of the preparatory group for the Political Studies Institute by virtue of the majority of votes I received in a "popular balloting" in the group and began working with Lin Ying [2651 5391] and Wang Fujian [3769 4395 1696] to prepare for the establishment of a political studies institute.

At the inaugural meeting of the Political Studies Institute of the CASS, I explained my views on "science." Many people said to me, "There is no room for honesty in political struggle." Political science, according to them, is simply not a science at all. In my opinion, although political phenomena of every description in the world throughout human history do not seem all that rational or consistent with the wishes of most people, there is no question of "scientific phenomena" themselves being scientific or otherwise. This does not prevent political science from being a science. Economic phenomena include speculation, fraud, plunder, and exploitation, but we never say economics is not a science. "Politics" are often associated with "coercion," "internal strife," "conflict," and "war," and frequently lead to tragedy. The purpose of political studies is to identify the principles governing the occurrence and development of various political phenomena so as to "depoliticize" much

political behavior and hence reduce and prevent all kinds of tragedies. As I see it, science is the source of human optimism. By relying on science—that is, reason and intelligence—man can overcome every hurdle and solve every problem. Pessimism, despair, moaning, and groaning are completely at odds with a scientific spirit. It was precisely with this kind of faith in science that I entered the Kingdom of Political Science.

### Official Considers Importance of Separation of Party, Government

40050518 Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese  
No 3, Mar 89 pp 10-12

[Article in "How To Be a Party Committee Secretary and County Executive" column by Ceng Qingyan 2582 1987 3508, secretary of the Taoyuan County Party Committee in Hunan: "To What Degree Do We Separate Party and Government?"]

[Text] I was a county executive at one time, and I am now the county party committee secretary. I know how difficult the government's job is, and I understand how tough things are for the county party committee. In the past, I felt that separating party and government was both easy and difficult: it is easy in theory, but difficult in practice; it is easy in form, but difficult in substance; it is easy to separate the organs, but not the tasks; and it is easy to separate the personnel, but not the responsibilities. This is because if we separate party and government, even though the county party committee and the government's main duties are separated, we will still run into the following situations: one is that as we try to do our jobs, even if we continue to focus on economic construction as our central task, and even if we continue to emphasize the two civilizations as our primary task, and even if we continue to evaluate the success or failure of our tasks based on their ability to promote development of productive forces, it will be difficult to delineate who—the county party committee or the government—should have the primary duty and who should have the major responsibility. Another situation is that the government may come to rely on the county party committee but will be inhibited by the latter's supervision, and the county party committee may worry that close supervision may interfere with the government's work and too little participation will diminish its supervisory role. Now, however, I have learned from practice that the above situations are but the consequence of our failure to separate party and government scientifically to the proper degree and our overemphasis on the separation of organization, personnel, and specific tasks, rather than the separation in character, function, and leadership style. The tendency to do too much or too little demonstrates our failure to grasp the right degree of separation between party and government. Degree refers to the quantitative limit within which everything can retain its innate character; it is the quantitative scope of activities defined by several critical points. Only if we grasp the

proper degree of separation between party and government in a scientific way and if we separate them properly without alienating them can we give play to the county party committee as the leadership core. To achieve this, I feel that the county party committee should concentrate on the following tasks:

1. **It should govern but not administer.** Instead of giving orders, it should be the supervisor and the guarantor, guiding the others through supervision and reassurance. Our party is the ruling party, not the "administering party." The relationship between the party and the government is one of political leadership. The county government should, of course, work under the leadership of the county party committee, but leadership does not mean giving the government orders; rather it means supervising and making sure that the government's political direction, political principles, and major policies are correct. In my opinion, the proper degree to which the county party committee should supervise and guarantee the government's work is to extend guidance. In form and substance, it means: 1) The county party committee should vigorously publicize the party line and its general and specific policies. 2) It should insist that the party's grassroots-level organs support its administrative leadership. 3) It must diligently educate the Communist Party members about playing an exemplary vanguard role. 4) It should strengthen the party's political ideologies. 5) It should deal severely with violations of party discipline and rules by party members and cadres in government departments. Meanwhile, appropriate systems should be set up, for example, the system of joint sessions between the leading members of the county party committee and of the government, the system of constant communication between the county party committee secretary and the county executive, and the system of democratic evaluation of party members and cadres in the government by the county disciplinary inspection committee and party organization department and other county party committee functional departments so as to avoid too much or too little assurance and supervision from the county party committee. It is through this kind of guidance that the county party committee can maintain the right degree of supervision and can guarantee and create a good political environment so that the government can function properly. In recent years, because of some very negative elements and confusion within the contingent of cadres, the county party committee has adopted the slogan, "to energize Taoyuan's economy, we must inspire the cadres first." We have combined universal education with individual education, continuing education with periodic education, education about the situation and about party spirit, and we have combined reward and punishment. We have launched political ideology education at different levels, of different types, and targeting different people. We have convened a party member and cadre conference, a rural ideology and political work conference, and a grassroots party branch secretaries conference annually. At those conferences, besides reviewing our experiences and giving recognition to exemplary models, we also deal publicly with those

party members and cadres who have performed poorly and who are incompetent, and we focus party members' and cadres' attention on reform and the "four modernizations." In this way, we not only have facilitated successful implementation of several reforms and economic programs, we have guaranteed the correct position of the government and have extended effective supervision over an honest government.

**2. The county party committee should assume overall responsibility, but not take on everything; instead of providing leadership at the micro-level, it should extend guidance at the macro-level and make decisions at the higher level to guide the government.** The county party committee secretary has always been the number-one man among the county-level leaders. He has to handle many routine matters. After party and government are separated, this situation has changed drastically, but because the county party committee is not sure to what degree it is still in charge, very often it just takes on everything, including the government's tasks. I feel that the county party committee should take overall responsibility, but it must stop being a leader at the micro-level; it must rise above that level and assume a decisionmaking position. The degree of its assumption of overall responsibility is to guide the decisionmaking process at the macro-level, that is, guide the government's decision on crucial local matters. Specifically, they include (i) the county's economic and social development plans; (ii) the county's economic development strategy; (iii) the restructuring of the economic system and political system; (iv) the establishment of a grassroots political power structure and changes in administrative districts; (v) major economic and key construction projects; (vi) periodic tendentious as well as unexpected problems. The government, of course, should make decisions regarding these important problems, and the county party committee's responsibility is to guide the government's decisions. For example, in formulating the Seventh 5-Year Plan, the county party committee proposed an agricultural development strategy of "developing a winter crop, promoting gardening, improving the ecology, and engaging in in-depth development." Guided by this ideology, the county government formulated a plan to "plant rape as the main winter crop, encourage backyard planting and breeding, improve the environment as an ecological endeavor, and pursue in-depth development by cultivating high-yield grain fields, opening up 'land that can earn a thousand yuan,' afforesting the 'treasure mountain,' and breeding an abundance of aquatic products." The implementation of this plan has given impetus to development of the rural economy. Taoyuan's improvement of the agricultural ecology and environment and its in-depth agricultural development program have become advanced prototypes for the entire province and are recognized by provincial and city leaders.

**3. The county party committee should give up control but not responsibility; instead of direct decisions, it should apply indirect control and manage and coordinate things indirectly.** The government has many things to attend to,

and it is the focal point of many conflicts. The county party committee not only must not make trouble for the government, but should help the government solve problems. Last year, Taoyuan County ran short of funds and chemical fertilizers, and we had to fight natural disasters and provide relief to the people, and some grassroots cadres and people were upset. Some complained and began to point fingers, and the county government was put under severe pressure. The county party committee defended and supported the government's efforts as it spread propaganda and explained the situation to the people on the one hand, and on the other hand, it gathered together the leading comrades of the standing committee of the county party committee, the standing committee of the county people's congress, the county CPPCC, and the county people's armed forces and assigned specific posts and responsibilities to help the county government resolve issues and restore dignity to the government. Practice has taught us that after the separation of party and government, the county party committee must not "hold open court and take over the reins of government," nor should it "hold court from behind the screen." It should take the initiative to return power to the government and let the government work autonomously. It should actively solve problems for the government and support the government in its proper exercise of power. To accomplish this, the county party committee must relinquish control over the government, delegate power, and trust the government. It must give up power, but not responsibility; it must delegate power, not seize it; it should feel reassured, not suspicious. Of course, there is a proper degree in letting go. It means the county party committee should not make direct decisions for the government but should manage things indirectly. It should coordinate efforts to solve problems that are within the government's functions, that have broad ramifications, that have created sharp conflicts, that involve organs at the same level, and that the government cannot solve on its own. We adhere to the principle of "more guidance, less interference; more support, less criticism," and while we manage the government's tasks indirectly to the proper degree, we also want to uphold the following: 1) The principal leaders of the county party committee generally should not attend meetings convened by the county government. 2) The county party committee should not issue joint dispatches on matters within the county government's jurisdiction. 3) County party committee leaders should not meet with visitors sent by the higher level governments. 4) County party committee departments should take the initiative to forge closer relationships with government departments rather than go their separate ways. 5) Matters brought before the standing committee of the county party committee by the county government for discussion should be decided by the county government after lengthy deliberations, and the county party committee should not do the government's work. 6) The county party committee should take the initiative to handle seriously disputed issues stemming from hazy policies by convening a joint session and by soliciting ideas from everybody, without shirking responsibility or dragging

its feet. 7) The county party committee should smooth the relationship among the county government, the standing committee of the county people's congress, and the mass organizations and rally the public's support and help the government by suggesting ways and means to do its work.

**4. The county party committee should participate, but not interfere. Instead of appointing cadres, it should make recommendations, recommending only the competent.** In the past, the county party committee and other organs were in charge of the cadres; the county government could not appoint or dismiss cadres, and so those in charge of personnel were not taking care of business, and those taking care of business had no control over the personnel. It is not only an integral part of separating party and government, but is also an important part of reform of the political system to change the above situation. The county party committee must return to the government its rights to manage the cadres, appoint and dismiss personnel, and to set up necessary organs within the government system. Instead of interfering with the appointment of cadres, it should make cadre recommendations to the government. As we stop interfering in cadre appointments and start making recommendations, the proper degree of participation with respect to noninterference is: 1) All cadres in the governmental system should be appointed directly by the county government, not the county party committee. 2) The county government may engage or appoint cadres via any method it chooses, and the county party committee should not interfere. 3) The county government has the right to make decisions pertaining to the administration, appointment, dismissal, and transfer of cadres under its jurisdiction, and the county party committee should make no rules. 4) The installation, setup, designation, and alteration of the ranks of the functional departments and subordinate organs directly under the county government should be decided by the county government as specified by the higher level government and as warranted by local conditions, and the county party committee should not give orders. 5) The administrative authority in departments managed jointly by the county government and the county party committee should be handed back to the government, and the county party committee should step aside voluntarily. With respect to participation, primarily, the county party committee should only recommend cadres to the government. It should coordinate efforts and support the government in areas of cadre training, inspection, promotion, and attraction of talent. It should set up a healthy cadre job responsibility system, formulate and perfect ways and means to attract and utilize the talented, and promote the reform of the cadre system. The year before last, in order to strengthen the leadership and management of the economic tasks, this county party committee selected 24 young to middle-aged cadres from the organs under the county's jurisdiction and recommended them to the county government to work in the towns and townships. During last year, we also recommended 26 qualified personnel to the county government, and they are now key members in enterprises and

agencies. Meanwhile, the county party committee has selected and transferred more than 30 key members from party organizations under the county's direct jurisdiction to set up contact points in towns and townships and enterprises and implement the goal-oriented management system. This not only has provided more competent cadres to handle the economic tasks, but has improved our own party organization.

**5. The party should enforce party discipline, not replace party discipline; it must supervise itself, not confuse itself with the government, and it must lead the others in enforcing discipline.** In the past, because of the failure to separate party and government, we did not make a distinction between party discipline and administrative discipline, and often "neither party discipline nor administrative discipline was enforced." After the separation of party and government, party discipline and administrative discipline have been put under separate organs and separate jurisdictions, making it possible to enforce party discipline and strengthen administrative discipline. The county party committee must adhere to the principle that it is responsible for keeping the party in line and strengthening the party from the inside, and it should rely on strict party discipline to pull the party together and give play to the role of party organs as a fighting bastion and party members as exemplary vanguards. Under the new system of separation of party and government, the degree to which the county party committee should enforce discipline entails the following: (i) it must discipline the party organizations and party members and cadres within its jurisdiction as well as the party organs and party members and cadres within the county government's jurisdiction; (ii) it must demand that the party members observe party discipline because they are party members and observe administrative discipline because they are cadres; (iii) it not only has to discipline others, but also discipline itself. Its own enforcement of discipline should serve as an example to spur and guarantee enforcement of party discipline and administrative discipline. This proper degree hinges on the county party committee's leadership in enforcing discipline, because only if there is strict party discipline can there be strict administrative discipline. We have focused attention on the practice of cadres building private homes, a practice the people strongly disapprove of. We have promptly set appropriate rules and have on three separate occasions investigated and punished party members and cadres, especially county-level party members and leading cadres who have violated party discipline, and have curbed the practice and reduced the incidents of cadres' abuse of authority in order to profit themselves and build houses for themselves. Practice proved that only if the county party committee takes the lead to enforce party discipline can it guarantee its own honesty, make itself more authoritative, set an example for enforcing administrative discipline, and truly give play to the role of the county party committee as the government's political leader.

**Resurgence of Cultural Revolution Seen as Possible**

40050411b Beijing XIN GUANCHA [NEW OBSERVER] in Chinese No 5, 10 Mar 89

[Article by Xia Yubing 1115 6133 0393: "There Are Both Groundless Fears and Legitimate Questions"]

[Text] A couple of days ago I came across two articles simultaneously (the first, by He Manzi [0149 3341 1311], in WEN HUI BAO, 1 January 1989, was entitled "Reading a Long Article"; the second, in WENZHAI BAO, 1 January 1989, was entitled "Yu Guangyuan [0060 0342 6678] Reminds People To Be Alert to Social Trends," both of which talked about the same thing: there are people in Shanghai who have published grandiose articles attempting to "defend" famed Cultural Revolution culprit Wang Li. Both of these short articles reminded people to be alert for any "resurgence of the Cultural Revolution," and to watch out for people who will "send out feelers" at the crucial moment. They called on people to be clear-headed and vigilant. The gist of both discussions was that people can see how things will develop from the first small beginnings. I firmly agree. However, what I'm talking about is another aspect of this situation.

If a "resurgence of the Cultural Revolution" is something that worries only some of the common people (among the elder generation, Yu and He can also be classified as common people nowadays), and the current officials harbor no such fears, or even deliberately or unintentionally disparage such a notion, I'm afraid it would be surprising if there were no resurgence of the Cultural Revolution.

This is not nonsense on my part.

From the end of 1986 to the beginning of 1987, when the hurricane touched down, scores of articles and editorials appeared, differing not one whit in language from that of the Cultural Revolution. As a result, the heroes, advisers, and critics who were involved in the Cultural Revolution suddenly began to bustle about and stir up trouble, striking poses on stage. To our surprise, at that moment high-ranking officials in charge of ideology also ignored the CPC Central Committee's public call for a thorough denunciation of the Cultural Revolution. Instead they rushed to Tianjin seeking to suppress the *History of Ten Years of the Great Cultural Revolution*—the record of struggle written by Yan Jiaqi [0917 1367 0366]. For awhile, it was forbidden to show the movie *Furong Town*, which denounces the Cultural Revolution; and the works of Bo Yang, who primarily uses Taiwan as a backdrop to castigate the backward thinking of the Chinese, were banned. It continued like this until people began to associate these events with the phrase "things come around again in 7 or 8 years." Today, many people still cannot figure out what harm there is in Yan Jiaqi's historical work, considering that he actually wrote of a great, but unfortunate, people who had been caught up in an unprecedented calamity, and of how Liu Xiaoqi, Peng Dehuai

[1756 1795 2037], He Long [6320 7893], and many others who contributed to the founding of the PRC were the backbone of society, were talented class members, had been persecuted to the point of death, and were devastated by the Cultural Revolution. Why can't we accept this kind of history and use it as a teaching tool, not only for ourselves, but to allow our descendants to learn from it, analyze it, and change their own way of thinking? Likewise, people cannot understand the disappearance of the popularly acclaimed film *Furong Town*, which quite realistically reproduced in art form the conditions of the Cultural Revolution. Why are mainland Chinese prohibited from reading books that criticize some Taiwan compatriots who stubbornly refuse to admit their own mistakes?

Now, when long articles appear extolling the virtues of Wang Li, defending him, and seeking to reverse the verdict against him, there is an aura and fragrance of Jiang Qing lingering in the air. I don't know whether these people see it and smell it. If they do, what measures are they prepared to take? Don't we have a regulation that publications concerned with the Cultural Revolution must report on and criticize special topics? How is it that this kind of article can be published without such criticism?

The Nazis were defeated more than 40 years ago, yet, in West Germany there are still some young people who would recall the spirits of the dead. When the fascist war criminal Rudolph Hess died in prison, mere babies in their twenties commemorated and mourned him, indicating that they wished to carry on his cause. Historically this kind of "resurgence" phenomenon is not at all unusual. Today there are some people who wish to "resurrect the Cultural Revolution," and this is not strange. Only if people take this seriously can we stand fast against it. Actually, what is strange and frightening is that some officials in charge of ideological work have adopted an ambiguous attitude toward this kind of resurgence. That is really something to worry and ponder over.

**Last Day of Reagan Contrasted to Last Days of Mao**

40050411a Beijing XIN GUANCHA [NEW OBSERVER] in Chinese No 5, 10 Mar 89

[Article by Xie Yun 6200 0061: "Untitled"]

[Text] The U.S. White House has a new host. Bush has arrived and Reagan is gone. The purpose of this essay is not to discuss the excitement and extravagance of Bush's arrival, but instead to talk about Reagan's departure. Many newspapers have reported on this and each report has something to recommend it, but the one I liked was the one written by Wang Deming [3769 1779 6900], Washington correspondent for GUANGMING RIBAO. For those who have not seen it, I will reproduce a portion here:

On the morning of 20 January Reagan stepped into the White House Oval Office as usual to begin his last day in office. He stood behind the carved wooden desk, bowed

his head, and stretched out his hands to caress the desk, his companion through 8 years of office. He seemed to be pondering something. Then he sat down and placed a small congratulatory note to Bush in the uppermost drawer of the desk. On the note he had written "Carry on." He accepted the final presidential agenda proffered by private secretary Katherine Osborne. Thereupon, White House National Security Assistant Bauer made his final report to Reagan. Bauer said, "Mr President, all is well and there is no trouble in the world today." Reagan signed his last official document, a letter sending best wishes to British Prime Minister Thatcher. When he was done he took a deep breath, raised his head, and strode across his office and out into the Rose Garden. Suddenly, he stopped, turned his head, and gazed awhile at the Oval Office. Afterward, he attended the inaugural ceremony for the new president. Once the ceremony was concluded, he departed from Congress, said goodbye to Washington and the crowds assembled to send him off, and flew to his home in California. He did not take Air Force One, the customary presidential plane, because as of 12 noon on 20 January, Reagan became an ordinary citizen.

Frankly, I cannot say that I am particularly well disposed toward Reagan, but I was moved by the scene of his leaving office. That his departure from the throne he had occupied for 8 years was so orderly and unhurried reflects both his handling of affairs and his human touch. One could simply say that it was at once solemn, natural, and unrestrained: quite a sight.

My reaction was triggered by the fact that at about the same time I read an article about the last years of Chairman Mao Zedong. This article was written by Zhang Yufeng [1728 3768 7364], who was a companion to Mao in his old age. Through this article I found out for the first time that our nation's highest leader, who led nearly 1 billion people, was plagued by illness from 1971 on. "Because of his coughing, he could never rest in bed, and could only sit on a sofa day and night." And because of "cardiopulmonary disease and severe shortness of breath," he suffered from shock and coma. He nearly went blind from eye disease. He suffered from a serious speech impediment and "had to write out his thoughts and wishes" or rely on others to "guess from his lips and facial expression" what he wanted. He even allowed others to draw a "circle" to represent him in sending and examining reports. Yet this old, sick man, who "suffered severely from a lingering illness," was still in charge and decided all of China's major affairs. I cannot steel myself to say otherwise: I feel that this was truly too cruel and unimaginably bizarre.

I feel particularly sad that this, our highest leader, spent "his final New Year's Eve" in these circumstances. In order to avoid distorting the situation, I will reproduce from the original article:

During the Spring Festival of 1976, people shivered in the face of the cold and the situation alike. That frigid New Year's Eve the stars in the sky shone dimly and the

swimming pool—the South China Sea—outside Chairman Mao's house was dark. Only the neat line of street lights cast a feeble light. Here, nothing other than the melancholy sound of the cold wind could be heard. The swimming pool on New Year's Eve night was that lonely and deserted.

Chairman Mao received no guests nor any of his own kin. Only a few workers were at his side to spend his last Spring Festival with him. In the last years of his life, Mao Zedong, this godlike man who had commanded the wind and the clouds, made the earth shake with a single word, and received homage from hundreds of millions of Chinese, was actually so utterly lonely, wretched, and miserable that I have not the words to express my grief—for him, for the party, and for the nation. As for the circumstances of his final departure from office (his death), to this day that has not been made public. However, it is not hard to guess what the circumstances and atmosphere were like.

In comparison with Reagan's departure from office, I cannot really draw any conclusions. It just leaves me deep in thought.

#### **Hu Yaobang's Activities After Fall From Power Recounted**

40050375b Hong Kong CHING PAO [THE MIRROR] in Chinese No 3, Mar 89 pp 50-51

[Article by Chen Wan-chien 7115 8001 0578, from Beijing: "Is Hu Yaobang 'Being Called To Come Out?'"]

[Text] Although silent for more than 2 years, Hu Yaobang retains considerable influence and appeal. Theoretical and media elites who are close to him believe that he remains very energetic and his mind his lucid.

The political situation in Beijing is stormy, and cadres and the masses are all abuzz about it. One of the most popular topics of conversation are the many rumors surrounding Hu Yaobang.

This man, who was dismissed as general secretary of the Chinese Communists' Central Committee, has yet to withdraw from the Politburo but has been silent for 2 whole years. Not a single word of his, spoken or written, has appeared in the mainland press, and he is very rarely seen on television there. Last year, there was a rumor that he had defected to the Soviet Union. When the news reached Zhongnanhai, a certain leader dismissed the report as a "strange tale from abroad," and propaganda departments directed television stations not to omit shots of Hu Yaobang from their news programs. This is sufficient to prove that Mr Hu is still in Beijing. But he has only appeared on the few occasions to pay his final respects to the remains of old comrades-in-arms; he was nowhere in sight at all the Politburo meetings. This truly arouses suspicion.

### Loss of Composure at an Enlarged Meeting

This writer has learned some details in meetings with several nonofficial personages who maintain contact with Hu Yaobang. This gives one a glimpse of the constant change among the men of the hour on the Chinese Communist political stage and provide some clues.

When Deng Xiaoping reemerged in 1977, five great commanders, who were led by Hu Yaobang and stood before Deng's steed, performed great service in restoring order out of chaos, redressing unjust and wrong verdicts, mopping up the remnants of the "gang of four," creating public opinion, restoring morale, and, especially, soothing intellectuals. In the subsequent effort to push aside Mao Zedong's successor, Hua Guofeng, and to eliminate the disruption of the reform line of the new period caused by the "gang of four," these five great commanders became known as the "five Hus who bring confusion to Hua." Hu Yaobang exercised great authority over the Chinese Communists' organizational work; Hu Qiaomu emerged as an ideological authority, approved the line that "practice is the sole criterion of truth," and assumed charge of both propaganda work and the Chinese Academy of Social Sciences; Hu Jiwei led the effort to make RENMIN RIBAO the mouthpiece of the party and the people; Hu Keshi became secretary of the Chinese Academy of Sciences party committee and worked with Fang Yi in directing scientific and technological work; and Hu Qili became prominent in the Communist Youth League, the front providing the party with new forces.

Not long ago, after Deng Xiaoping's reform line was put into place and after several years of smooth implementation thereof, the split within the party broke into the open. Through the "pollution cleanup" and "antiliberalization" campaigns—campaigns that were not campaigns—and the test of strength within the highest leadership, Hu Yaobang was finally hauled down from his position as party general secretary. At the Shanghai residence of a certain elder statesman, a certain person viewed a videotape of the enlarged Politburo meeting at which General Secretary Hu Yaobang was criticized. This gentleman was the last to enter the meeting room, and when he came in he was in great spirits, laughing heartily as he removed his coat and asked the staff, "Has Comrade Xiaoping arrived?" But the shots of Hu Yaobang after the meeting started showed him losing his composure and then utterly dejected, especially the ghastly expression as he blankly stared at Wang Heshou and other close comrades-in-arms as they spoke. And as he left the meeting venue, he was also shown wiping his eyes with a handkerchief before he turned and left amidst a crowd.

### Many People Write Letters Expressing Concern for His Welfare

For a while before Zhao Ziyang formally took over as Chinese Communist general secretary, Hu Yaobang had by no means vacated the general secretary's building, No

201, in Zhongnanhai. After turning over the position, Hu Yaobang returned to his original residence on Naizifu Alley (namely, Dengshikou West Street) in the eastern part of the city, where he shut himself up, refused all visitors, and pondered his errors in seclusion. Actually, public opinion had by no means accused him of any "errors," and only cadres ranking at or above party or government section chief level have seen or heard his self-criticism, to which Chinese Communist Central Committee documents refer. What basis does anyone have for "initiating" discussion of his merits and mistakes? It is just that a leader like him, comparatively speaking, is a staunch reformer, is open-minded and straightforward, does not change the subject when difficult issues crop up, is decisive, does not seek personal gain, and earnestly performs good deeds for people who have been wronged (including intellectuals); and thus many people, including high-ranking cadres, have written him letters and are concerned about his life and work, a situation that vastly differs from the popular attitude toward Hua Guofeng, who recently has appeared on occasion.

### Treasured Scrolls of His Calligraphy Hang in the Hu and Wang Homes

Great changes have reportedly occurred in Hu Yaobang's scope of activity and in his passivity and silence since the Beidaihe meeting of last year. He did not participate in that meeting, at which there was a dispute over price reform plans, and instead was enjoying the cool weather on Zhifudao off of Yantai at the mouth of Bohai. At that time, he remained keen on reading traditional thread-bound tomes and brushing calligraphy, devoted himself to a study of imperial rescripts and relevant historical documents from various dynasties, and applied special focus to the relationship between the imperial houses and high-ranking officials of the Song, Ming, and Qing dynasties. Old comrades-in-arms and subordinates who visited him could not help but be surprised at his immersion in piles of ancient paper, say they saw thread-bound books strewn all over the table and bed in his room, and urged him not to ignore the affairs of the world and devote himself to the writings of sages and worthies. Maybe it is just that no one knows what he has got up his sleeve. As to the results of his assiduous practice of calligraphy in recent years, he definitely has developed his own distinctive style, which is much more exemplary than the inscriptions he brushed while serving as general secretary. People have espied treasured scrolls of his brushwork hanging in the homes of Hu Jiwei and Wang Ruoshui.

### Still Has Considerable Influence and Appeal

Perhaps a persons' disposition, ambition, experience, luck, and many other factors always exert a latent effect on the honor, disgrace, rise, and fall that befall him along the journey of life. Hu Yaobang is a strong-willed revolutionary; there is no known record of him ever having

engaged in plotting and scheming throughout the continuous struggles within the party; he was by no means afraid when Mao Zedong's red guards forced him to jump out of a fifth floor skylight; but he by no means treats life lightly. He does not seem to be the kind of person who becomes passive and pessimistic when he suffers political setbacks. During the 3d Plenary Session of the Chinese Communist Central Committee, which was convened last September, Mr Hu became active, his relations with Zhao Ziyang and Deng Xiaoping seemed to have thawed, and Zhao Ziyang and Deng Xiaoping asked to hear his views. Progressive Chinese Communist theoretical and media elites who are close to him, such as Zhu Zehou, former director of the Central Propaganda Department, and Hu Jiwei, former director of RENMIN RIBAO, believe that Hu Yaobang is still full of vigor. Even at 74, He remains, among top Chinese Communist leaders, lucid, agile, and not so crusty. He is receptive to ideas, and not arbitrary and dictatorial. Besides, we have not heard any public statement from Hu Yaobang about the stagnation of the reform. Even less, was he like Yeltsin (once Gorbachev's close comrade-in-arms who was dismissed as the first chief of the Moscow party committee) who was publicly denounced nor was he accused as China's Legachev and his ilk. Nevertheless, Hu Yaobang retains considerable influence and appeal among many elder statesmen who have been excluded from the decisionmaking stratum and among people from theoretical, cultural, and media circles who have been suppressed for allegedly being "liberals." And it is not unlikely that even Deng Xiaoping might use him at any time as a trump card. That is because Deng Xiaoping forcefully argued that Hu Yaobang be kept in the Politburo and for letting him be a special member thereof.

Can Hu Yaobang make a comeback? Might he again play or replace some kind of role? These questions will be decided by future developments and changes in the economy and in politics. I dare not venture any rash conjecture.

**Account of Efforts To Save Hu Yaobang**  
HK2305074589 Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 20, 15 May 89 pp 3-4

[Article by Zhao Chunli 6392 0278 4539 and Li Shangzhi 2621 1424 1807: "The Last 7 Days—A Factual Account of How Comrade Hu Yaobang Fell Ill and Efforts To Save Him"]

[Text] In the morning of 15 April, 1989, the streets in the capital were crowded with people and vehicles. The workers were rushing to their units to start the day's work.

At this moment, in the Beijing Hospital, an unpredicted event happened: the great proletarian revolutionist and politician who had labored throughout his life for the

people—Comrade Hu Yaobang—died because of an acute large-area myocardial infarction, after the doctors had exerted in vain all their efforts to treat him.

On 8 April, 1989, after having his breakfast, Comrade Yaobang was about to go to the Huairan Hall to participate in the 17th Session of the 13th Political Bureau of the CPC, to discuss the "Draft of the Resolution Made by the Central Committee of the CPC on Several Problems Relating to Educational Development and Reform."

At 0855, Comrade Yaobang arrived at the Huairan Hall, and happily shook hands with other Political Bureau members and said hello to them.

The meeting started at 0900. Comrade Zhao Ziyang, who chaired the meeting, made a short speech, and told the members that the draft of the document had been revised four times. He said, after today's discussion in the Political Bureau, opinions should be further solicited from a wider domain inside and outside the party, and within an appropriate time, the 4th Plenary Session of the 13th Central Committee could be convened to make judgment on the document.

After Comrade Zhao Ziyang made his speech, a staff member started reading the draft of the resolution, which lasted for 40 minutes. Thereafter, Comrade Li Tieying made a speech, and introduced to everyone the process of drafting and revising the draft of the resolution.

At this moment, Comrade Yaobang stood up and said: "My chest is suffocating—unbearable." He tried to leave the meeting when saying this. Other comrades realized that he was sick when they saw his pale sweating face. The time was 0948.

Comrade Zhao Ziyang asked: "Is it a heart attack? Do not move for heaven's sake; sit down at once." At this moment, Comrade Qin Jiwei, who was next to Comrade Yaobang, helped him to sit down on his original seat.

"Hurry and send for the doctors!" the surrounding comrades cried.

Many telephones at the Huairan Hall were sending messages at once, and three police cars moved simultaneously in full speed to send for the doctors.

At that moment Comrade Yaobang tightly closed his eyes, and could not speak. Everyone was anxious, knowing that there could be danger in the 10 minutes before the arrival of the doctors. In that emergency, someone asked: Who has carried the "first aid box"? Fortunately, Comrade Jiang Zemin carried it. Comrade Yaobang was then given the nitroglycerine tablets and a breath of isoamyl nitrite. The doctors who came later thought that this measure was helpful in relaxing the blood vessels and gaining time.

In less than 10 minutes, the medical personnel from the clinic of Zhongnanhai arrived at the scene. In another five minutes, the doctors from Beijing Hospital also arrived, carrying with them the whole emergency kit. They brought a stretcher and immediately started treatment for saving Comrade Yaobang.

According to the doctors, Comrade Yaobang could not be moved. Therefore, the meeting of the Political Bureau was relocated to another conference room. Comrade Ziyang instructed Comrade Wen Jiabao, and Comrade Yang Dezhong, deputy director of the General Office of the Central Committee, to remain at the Huairén Hall to look after everything, and the Huairén Hall then became the temporary ward in which efforts were carried out to save Comrade Yaobang.

For the sake of saving Comrade Yaobang, the head physicians and physician-in-charge from Beijing Hospital, and experts in cardiovascular disease from Beijing Fuwai Hospital and Xiehe Hospital, were taken to the scene. After the doctors carried out a joint diagnosis, they decided that Comrade Yaobang had suffered an acute large-area myocardial infarction, cardiac shock complication, arrhythmia, paroxysmal tachycardia, and circulatory difficulties in the ventricle. They tried their best to save Comrade Yaobang, and stabilized his condition.

Immediately after the meeting of the Political Bureau, Comrade Zhao Ziyang rushed to see Comrade Yaobang, and studied the treatment plan with the experts and the medical personnel.

Other comrades such as Qiao Shi and Hu Qili came too. They asked about the condition of Comrade Yaobang with grave concern, and instructed the medical personnel to try their best to save him.

At 1620, the experts thought that the condition of Comrade Yaobang had stabilized, and that he could be moved to the ambulance. With the consent of his relatives, Comrade Yaobang was sent to Beijing Hospital.

After arriving at the treatment room of Beijing Hospital, the experts again carried out a joint diagnosis, and further discussed and decided on a treatment plan. The best doctors and nurses of Beijing Hospital were selected to form a special medical team and a special nursing team to carry out the best treatment for Comrade Yaobang.

After a screening, it was found that the lower part, rear part, and the right ventricle of Comrade Yaobang's heart had suffered a large area myocardial infarction. The unit of a normal person's (CK) is 132, but his was 3,340, and it was estimated that the muscle of his heart was seriously ill. In general, doctors realized that a myocardial infarction with (CK) exceeding 3,000 units could rarely be completely cured.

When Comrade Yaobang was hospitalized and during the process of lifesaving at the critical moment, Comrade Deng Xiaoping sent his secretary to the hospital for a visit; Comrade Zhao Ziyang twice visited him in the hospital; Comrades Yang Shangkun, Peng Zhen, and Song Renqiong also came to the hospital twice to visit him; Comrade Li Peng in particular visited him before departing for a visit to Japan; Comrades Chen Yun, Li Xiannian twice called the hospital to inquire about his condition and the condition of treatment; Comrade Deng Yingchao specially wrote a letter requesting him to settle his mind for treatment; Comrades Xu Xiangqian, Nie Rongzhen, and Wang Zhen called to inquire the condition of his illness; and Bo Yibo sent his secretary to visit the hospital.

Comrades Qiao Shi, Hu Qili, Yao Yilin, and the comrades from the Political Bureau of the Central Committee and from the Central Secretariat, and the leading comrades from the Central Advisory Commission, the Central Commission for Discipline Inspection, the Standing Committee of the National People's Congress, the State Council, the Military Commission of the Central Committee, and the Chinese People's Political Consultative Conference were crowding to the hospital for a visit or calling to inquire the condition of Comrade Yaobang's illness. Obeying the doctors' judgment, some of the comrades who came did not enter the treatment room; they nevertheless extended their greetings to the relatives, and asked the doctors about the condition of the illness.

After every effort was made to save Comrade Yaobang, his condition was fluctuating from time to time. When Comrade Zhao Ziyang first visited him in the hospital, Comrade Yaobang instructed him: "You have too heavy a workload, and shoulder great responsibility, please do not bother to come to see me in the hospital." When Comrade Li Peng came to visit him in the hospital, Comrade Yaobang instructed him: "You are busy with your work, please do not bother to come." He further said to Comrade Li Peng: "You have really worked hard."

In the morning of 15 April 1989, Comrade Yaobang woke up early.

"Ha! This is the 7th day since I have been sick. Nothing happened in these 7 days, so the dangerous period has passed," said Comrade Yaobang happily.

The doctors told him that something indeed had happened in these 7 days. In the previous days, medicine for raising blood pressure had to be used to maintain normal blood pressure. Paroxysmal tachycardia happened repeatedly, and sometimes the heart beat was slow. These last 2 days, the medicine was no longer used, and the condition improved, but that did not mean that the dangerous period has passed. They told him that he must lie on his bed and rest, and that a joint diagnosis was scheduled in the morning.

"I have been hospitalized 7 or 8 days, and today I must clean up," said Comrade Yaobang. He asked the accompanying staff to prepare the electric shaver, saying he wanted to shave.

"Have you listened to the news broadcast this morning?"

"No." The attending staff person told him that because he had to look after him, he had no time to listen to the radio.

"You comrades will never tell me that something happened in this country. How can a person live without understanding the everyday situation?"

"The doctors have stressed many times that you must absolutely lie in bed and rest, talk less, and it is better not to think of any problem," said the staff person.

According to the doctors, Comrade Yaobang was required to lie down when he urinated and defecated.

At 0725, the nurse arrived with the utensil for defecation.

"Comrade Yaobang is always on time. He should defecate at 0730. Why do you come 5 minutes earlier?" One of the staff said and smiled.

A moment passed, and it was 0730. Comrade Yaobang lay down quietly and defecated.

Comrade Yaobang affectionately held the hand of the staff member and said: "It does not matter, I will get well soon..."

The staff member held his hand, but felt it let go. His head dropped, and his body turned. It was 0740.

The specialist doctors, specialist nurses, Comrade Yaobang's son and the staff at the scene were all astonished.

The utmost emergency rescue started in the treatment room. The experts, doctors, and nurses tried every method. Time went by minute after minute, but Comrade Yaobang's heart eventually stopped beating at 0753.

The medical personnel controlled their great grief, and massaged Comrade Yaobang's heart for more than an hour. But the heart was too tired, and it refused to beat again.

The news of the critical condition of Comrade Yaobang passed swiftly to every leading comrade through the telephones.

Comrades Zhao Ziyang, Yang Shangkun, Qiao Shi, Hu Qili, and Yao Yilin came quickly. The comrades from the Political Bureau, and the Central Secretariat came quickly. Some other leaders and old comrades also came at once...

The comrades were deeply depressed; with sad faces, they could only accept this sudden and shocking news: Comrade Yaobang has left us forever.

After Comrade Yaobang died, comrade Deng Xiaoping sent his wife Zhuolin with his children to Comrade Yaobang's home to express sympathy and solicitude to Comrade Yaobang's wife Li Zhao and her children.

Representing the organization, the responsible comrade of the General Office of the Central Committee asked what demands the relatives wanted to make. Comrade Yaobang's wife Comrade Li Zhao said firmly: "Comrade Yaobang has labored all his life for the party and the people. He is worthy of the party and the people, and the party and people are worthy of him. He nearly collapsed in battles, but lived until 73, which is an old age. He left quickly, without giving trouble, and gave us 7 days. Everything must be simple. Thanks to the party and the people."

Comrade Li Zhao further expressed her thanks to the experts and medical personnel who treated Comrade Yaobang, and to the comrades in Beijing Hospital who tried their very best in treating and rescuing Comrade Yaobang.

## NATIONAL AFFAIRS, POLICY

**Symposium on Economic Relations Between Eastern, Western China**  
40060571b Beijing JINGJI CANKAO in Chinese  
18 Apr 89 p 4

[Article by correspondent Yang Jisheng 2799 4949 4939: "Dialogue Between Eastern and Western China; Sidelights on the Second East-West Theoretical Symposium"]

[Text] A decade of reform has engendered new changes and new contradictions in the economic relations between eastern and western China. Today easterners and westerners are poles apart in their views on many economic issues, and western and eastern schools are gradually emerging in academia. Recently, several dozen economists participated in a theoretical symposium on the economic relations between eastern and western China, at which meeting debate between the two sides focused on the following issues.

### **The East Complains that Its Earnings Go to the West, Dragging Down the Economic Status of the Major Cities of the East; the West Complains that Its Earnings Flow to the East, Expanding the Economic Gap between the East and West**

Eastern industrial cities used to depend on cheap raw materials allocated by the state from the west. In the last several years, however, Shanghai and Tianjin have received less and less parity priced raw materials and have had to purchase 70 percent or more of their raw materials at market prices. And because of price increases for raw materials, Shanghai had to pay out an additional 2-plus billion yuan last year, and Tianjin, 1-plus billion. Some comrades conclude from this that the reason that key eastern cities have been reduced in status is that profits have flowed westward.

Following this interpretation, the economic region of the west ought to have risen in status. But precisely the opposite is the case. Over the last decade, the economic gap between east and west has grown even wider and still expands. Western economists presented a series of compelling data that show that the gap is rapidly widening.

The scholars uncovered the answer to the puzzle during their dialogue: Township enterprises and medium and small cities in eastern provinces got a leg up on everybody in reform and opening up, creating a new economic high ground. This is the cause both of the growing economic gap between east and west and of the decline in the status of major coastal cities.

### **On the Issues of Raw Material Prices and of Sophisticated Processing, Each Region Has Its Own Worries and Each Has Complaints Against the Other**

In the area of raw material pricing, the west believes that there is too much parity-priced transfer of raw materials, which exchange causes westerners huge losses. The east, on the other hand, endlessly complains about rises in market prices for raw materials. Westerners say, "80 percent of the raw materials we produce is sent to the east at parity prices." Easterners say, "Only 30 percent of the raw materials we use is parity-priced." Where does the discrepancy between these two figures end up? It used to be said that the difference was gobbled up by official profiteers, but the dialogue revealed that the discrepancy results from the fact that the production capacity of processing industries has outstripped that of raw material industries. For example, if aluminum ingot production capacity is 1 million tons and the capacity to produce aluminum manufactures is 2 million tons, 80 percent of total ingot production transferred from raw material production bases at parity prices meets only 40 percent of processing bases' needs.

The west wants to process raw materials locally and, where conditions permit, ideally would like to manufacture end products. The east, on the other hand, stresses that full play must be given to the role of old production bases, that the east's existing capacity must be fully set in motion, and that the west must not engage in "redundant development."

In some materials-intensive processing industries, the gap in economic indices and technological levels between the east and west is shrinking rapidly, such that the west has even assumed a clear lead in some areas. The Yuxu Tobacco Plant of Yunnan leads the nation in 12 of 13 indicators. Yet the west has also engaged, due to lack of necessary conditions, in blind development of processing industry and transformed resource superiority into merchandise inferiority. Some easterners describe the west's development of processing industry as "making marshmallows from prosperity and strength."

### **In the Area of Investment, Each Region Counts Things Differently, and Each Maintains Its Own Rationale**

Westerners presented much data that prove that state investment in their region has dropped sharply in the past several years. The shift of the focus of investment to the east is detrimental not only to the west, for the stagnation in the development of western resources will be detrimental to the entire nation.

The east computes things from a different angle. Since Liberation, the state has poured large amounts of funds into the west, but returns on these funds leave much to be desired. In 1986, for example, each 10,000 yuan of fixed investment yielded 2.17 times as much profit taxes in the east as in the west. Easterners believe that funds naturally flow toward areas yielding the greatest returns, so it is logical that funds flow toward the east.

The west has reservations about the claim that investment produces better returns in the east and cite the case of Gansu. Gansu's mainstay industries are metallurgy and petrochemicals, whose major economic-technological indicators lead the nation in their respective industries. Yet the province's metallurgical industry produces "upstream" products, which have low price ratios, whereas the east produces "downstream" products, which enjoy high price ratios, so each 100 yuan in investment in Gansu's metallurgical industry produces 32 yuan less in profit taxes than the level enjoyed by Shanghai's metallurgical industry. Westerners believe that the better returns enjoyed by the east are rooted in the cheap prices of western raw materials and wonder if easterners would have such returns if they had to buy their materials at international prices.

The scholars expressed the view that the relative goodness or poorness of returns produced by the east and west cannot be determined on the basis of ready made statistics but must be based on more scientific evaluative indicators.

**In the Area of Regional Development Strategy, the East Stresses Graduated Development, and the West Emphasizes Leaps Forward**

Many easterners advocate that the state, in its regional development strategy, should provide for graduated development by region, from east to west, beginning with the coast, then moving to the middle region, and then advancing to the west. The basis for this view is that China is vast in size, cannot have balanced regional development, and should make the east its developmental starting point and have that region drive the development of China's middle region and west. In line with graduated development is a graduated transfer of technology, namely, that the eastern coast absorbs and assimilates advanced technology from abroad and then transfers that technology to the middle region and then to the west.

Westerners believe that this strategy treats the east and west unequally and will artificially expand the gap that historically has grown up between the regions and thus present a variety of counterviews.

1. Special resource economic zones should be established in resource rich regions, and preferential policies should be employed to accelerate resource development. Then development should fan out from such points to entire regions, spreading like blots of ink on absorbent paper.

2. As coasts serve as the focus of opening up to the outside world, a well-rounded, multilayered developmental policy should be carried out exploiting the various advantages of the west, and the west should also be permitted to open up to the world so as to stimulate the development of the region's economy.

3. A focus-and-a-half developmental strategy should be adopted, namely, making the east a focus of economic

development and the "third line" regions a half a focus of development. And so on.

Many Westerners do not approve of graduated technology transfer. They believe that under certain conditions technology can develop in leaps and bounds, are not content to wait to receive technology from the east, and desire to import technology directly from abroad, "ascending to the heavens in a single bound."

**On the Issue of Preferential Policy, the East Favors a Regional Tilt, and the West Advocates Sectoral Preference**

Most westerners have little complaint with the coastal development strategy but do hold different views regarding the preferences enjoyed by coastal regions in import-export authority, foreign exchange retention rates, and the like. A western economist stated, "Preference granted to one region means discrimination against another. This contravenes the principle of fair competition in market economy." Westerners point out that preferential economic policies distort markets, cause resources to be distributed under distorted market conditions, and disrupt the normal order in internal-external circulation.

Western scholars advocate sectoral preference and a reduction in regional tilt. Adopting a sectoral tilt to and giving certain industries priority in development will help us achieve our goal of optimizing industrial mix, whereas the disadvantages outweigh the advantages of the regional tilt. Some eastern scholars voiced agreement with this view during the dialogue.

**Shortcomings in Finance Devolution Examined**

40060571a Beijing JINGJI CANKAO in Chinese  
18 Apr 89 p 4

[Article by Chen Dongsheng 7115 2767 3932 and Wei Houkai 7614 0683 0418: "Defects in Administrative Authority Devolution; Local Administrative Separatism; Unfair Competitive Environment; Lack of Effective Restraint System"]

[Text] In recent years, regional trade conflict has grown ever more intense and been primarily manifested in three ways. First, local governments have employed a variety of measures, erected all sorts of nontariff trade barriers, and effected monopoly and autarkic closure with respect to local resources, technology, and merchandise. Second, competition among investors, comprised chiefly of local governments, to develop high-priced and highly profitable "hot goods" has engendered much redundant importing and an overlapping economic structure, while resource production slumps and resource wars proliferate. Third, vertical and horizontal fragmentation, a multitude of chiefs engaged in foreign affairs, and other policy and systemic defects have caused similar products to be exported at low prices and

imported at high prices, local import-export units to receive minuscule profits, and a big drain on state foreign exchange holdings.

The intensification of regional trade conflict is the concentrated manifestation of regional interest conflict, which occurs in regional government economic policy-making and behavior. The principal causes of this growing conflict are as follows.

**In the Absence of Fundamental Resolution of the Problem of Separating Government and Enterprise, There Has Been Too Much Sharing of Administrative Authority with Local Governments, Which Development Has Engendered "Administrative Separatism"**

The assignment, beginning in 1980, of financial authority to each administrative level; the devolution to lower levels of the central government's authority to distribute funds, goods, and materials; the establishment of a macroeconomic "two-level regulation-control" system; and the recently implemented "local responsibility" vis-a-vis foreign trade and regional economic responsibility have greatly increased the rights and earnings of local governments and spurred regional economic growth, yet have also given local governments incentive to aggrandize their fiscal revenues and to expand investment. Meanwhile, enterprises of all administrative departments have yet to be fundamentally separated from government at all levels and thus serve both as state administrative organs, exercising social managerial functions, and as representatives of the property owned by all the people, exercising managerial functions. Consequently, after receiving considerable autonomy, local governments have adopted a variety of measures and interfered in economic activity, for example, developing high priced and highly profitable processing industry, interfering administratively in the microscopic management of enterprises, weakening bank functions, blocking outflows of resources and inflows of merchandise, and the like.

**Distortion of Interregional Earnings Engenders Unfair Competition**

Local governments have adopted measures to give themselves advantages amidst unfair competition.

1. With a diversity of regional productive structures and interregional commodity flows, price system distortions will engender a dual profit transfer mechanism. On the one hand, the west, in shipping energy, raw material, and other primary products to the east, suffers a great transfer of value to the east every year due to irrational prices. On the other hand, the high priced and high return manufactures of the east transfer yet another portion of the value created by the west to the east. Under these conditions, both eastern processing provinces and regions and western resource-producing provinces and regions have a strong incentive to develop processing industry and to increase local revenues and adopt appropriate responses upon receiving economic autonomy.

2. The double track price system engenders severe unfairness in profit distribution among trade, industry, and agriculture and among industrial sectors. Under the double track system, prices set by the marketplace are much higher than those fixed by the state, and there is considerable discrepancy between the state prices employed for and the market prices of each sector, which situation engenders inequality in reward distribution among sectors and regional inequality, with raw material producing regions receiving lower profits and processing regions and export ports garnering higher returns.

3. The policy of opening up to the outside world and structural reform usually are accompanied by policy preferences extended by the central government. The regions that are the first to open up and to effect structural reform receive a transfer of policy-induced lead profits, and market forces function to engender a cumulative causative effect among regions, inducing the factors of production of other regions to flow into reform-leading regions and thus to give the latter dominance.

4. For a long time, central government environmental investment in regions has for the most part been uncompensated, irrespective of cost, the benefits derived from such investment have reverted to or been monopolized by local governments and enterprises, and the investment has to a certain extent also distorted regional earnings.

**Governments Behave in an Undisciplined Manner, and Central Authorities Lack an Effective System of Restraints over Localities**

The undisciplined behavior of the central government and the subjectivity and caprice in economic decision-making have induced local governments to vie for investment from and to practice policy bargaining with the center and to engage in one-upsmanship with their confreres and have exacerbated contradictions and conflict between the center and the localities and among the localities. And under the macroeconomic "two-level regulation-control" system, the duties, responsibilities, and authority of the center and of the localities is blurred, and the center lacks effective control measures vis-a-vis the localities. This is a major reason why local government behavior lacks discipline.

The closure of cotton and silkworm markets and other ad hoc administrative measures adopted since 1988 have had some effect in preventing major wars over resources but are merely palliatives, not fundamental cures. To fundamentally coordinate interregional economic relationships and to establish a new regional economic order, we must commence by advancing restructuring and by nurturing markets.

1. We must define government responsibilities and authority, subject governments to behavioral norms, and make government behavior rational. The basic component of the effort to discipline governments is to use law

clearly to specify government agency responsibility and authority. During this era of track-changing, the formulation "the state regulates the marketplace, and the marketplace guides enterprises" is well suited to the economic operational mechanism. But in the long run, once the market mechanism is perfected, the new operational mechanism should be "the government safeguards the marketplace, and the marketplace guides enterprises." The central government's policy vis-a-vis regions should mainly take into account the principles of welfare and fairness, and the central government should effect "countermarket" intervention or regulation. Thus the state's current policy of favoring the east should gradually be changed as markets mature and improve.

2. To strengthen market-based, and to reduce administrative, devolution of authority, we must establish a planned market economy, continue to effect market-based devolution of authority to enterprises, and transfer all authority over microscopic economic activity to enterprises. This will accelerate the development of markets and induce firms to effect autonomous management in accordance with the dictates of the marketplace.

3. We must abolish certain special policies regarding a minority of regions and transform regional tilt into sectoral preference.

4. We must establish a development fund for backward regions. Since the state has accorded preferential policies and greater fiscal support to regions that have taken the lead in opening up to the outside world and in effecting restructuring, we suggest that after a certain prescribed period of time the state extract some moneys from these regions to create a development fund for backward regions.

5. Compensation should be required for the use of state environmental investment in regions. Regions and units benefiting from large electric power, water, and communications facilities and from port construction should pay for some of the costs thereof. Investment thus recouped should be used by the state in a comprehensive way, primarily for infrastructural improvement.

6. We must improve the legal system. We should as quickly as possible draw up a Competition Law, an Antimonopoly Law, and an Implementing Law on Industrial Policy and use legal measures to encourage fair competition and to limit all monopolistic and autarkic-closure behavior.

**Vice Minister Urges Eradication of Corruption**  
HK0906062189 Hong Kong LIAOWANG [OUTLOOK]  
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[Article by Feng Tiyun 7458 2748 0061, Vice Minister of the Ministry of Supervision: "How To Eliminate Corruption"]

[Text] At present, people in various circles in society are very worried about the phenomenon of corruption,

and have more and more strongly urged its elimination.

Although only a small number of people have taken bribes and bent the law, their actions have affected various quarters. In addition, some of these evildoers are leading cadres. This has had a very bad influence on society. It is time for us to solve the problem of eliminating corruption.

During the years of war, the CPC attached importance to the issue of honesty and uprightness. It was stressed that we must never take a single needle or piece of thread from the masses, and that we must serve the people wholeheartedly. However, under the current, new conditions, some persons who have power in hand and hold high posts make use of the situation of the imbalance between supply and demand of the means of production, and the double-track system for commodity prices, to regard the power in their hand for distributing goods and materials; or even for handling financial and personnel affairs as a kind of commodity which they exchange for personal gains. A vice mayor of a city in Henan told a director of a factory that his son had been enrolled by a university as a nonresident who studied at his own expense. This factory allocated 8,000 yuan to subsidize the son of this vice mayor to study at the university in the name of scientific research funds. Actually, the son of this vice mayor had nothing to do at all with the factory. Was this not a typical case of asking for and taking graft? At present, government profiteering, which people hate most, is the product of combining power with money. There is a saying circulating among the people: "Without the four veterans of the older generation (renminbi of 100-yuan denomination), you cannot do anything at all." This shows the seriousness of the current corrupted phenomenon!

There are profound social and historical reasons contributing to corruption. At present, the two systems of planned economy and commodity economy have afforded opportunities to those evildoers who abuse their power for private gains, or exchange power for money. Some of our laws, rules, and regulations have failed to keep abreast of the demands of the development of the current situation. Our market and administrative behavior has not been fully standardized. In addition, some people have failed to enforce the laws in spite of the fact that they have been duly enacted. As a result, corruption cannot be eliminated despite repeated bans. Economically, the effective supply of means of production has failed to satisfy market demand, and the supply of those goods which sell well cannot meet consumers' demands. This has offered a convenience for those who abuse their power for personal gains or resell goods at huge profits. Besides, the quality of our law enforcement contingent is too poor to effectively check the occurrence of corruption.

I am fully confident that corrupted phenomenon can be eliminated. However, I also believe that the task cannot be completed overnight. We should take a series of measures to solve the problem properly. First, leading cadres at all levels and communist party members must

set a good example, and develop an ideological style of serving the people wholeheartedly, promoting honest and upright administration, and attaching importance to professional ethics. The key to the honest and upright administration of a department lies in whether the leaders of the department can set a good example in this regard. If leading cadres of the department are not honest and upright, it is very difficult to ensure the honest and upright administration of the department. Second, measures must be taken to enact and perfect a series of laws, rules, and regulations governing administrative behavior, enterprise behavior, and market behavior. The Ministry of Supervision is now enacting laws such as "Interim Rules and Regulations Governing Working Personnel of the Administrative Organs of the State Reporting their Property and Incomes," "Rules and Regulations for Prohibiting the State Administrative Organs and Their Working Personnel From Accepting Gifts in Their Official Business Activities Both at Home and Abroad," and so on. Third, efforts will be made to truly promote democratization and the practice of making matters known to the public. Without the practice and supervision by the masses, problems cannot be solved. Organs of supervision must take the initiative to contact the broad masses of people, so that they will be supported by various quarters in society. In the future, organs of supervision must invite some special supervisors to handle cases together, to enhance the openness and transparency of their work. Fourth, strict measures must be taken to enforce the law. This year, the Ministry of Supervision will focus its attention on handling large and major cases involving leading organs, leading cadres, and law enforcement departments. Those who are guilty must be severely punished in accordance with law no matter who they are, and what positions they have held. We must not be soft on them. Only thus can our work stand a good chance of success. Fifth, we must fully rely on mass media supervision. In the future, our mass media must report not only cases which have been wound up, but also cases which have been investigated and have been partly proved to be true. This can prevent some people from pleading for mercy, and evildoers from escaping the law.

In the meantime, our political structural reform must embark on a normal path of promoting democracy and the legal system. We must follow a down-to-earth manner to truly accomplish something. Shouting slogans alone cannot solve problems.

**Bribery Cases Increase During First Quarter**  
**HK0806073589 Beijing RENMIN RIBAO in Chinese**  
**30 May 89 p 1**

[Report: "Procuratorial Organs Handled Over 6,400 Corruption and Bribery Cases in the First Quarter of This Year"]

[Text] In the first quarter of this year procuratorial organs throughout the country focused their work on combating corruption and bribery. They took various

measures to investigate and handle corruption and bribery cases, and made marked results in this respect.

Over 6,400 corruption and bribery cases were handled in the first quarter of this year, an increase of 26.6 percent over the same period of last year and accounting for 71.8 percent of the total number of economic criminal cases. Bribery cases were serious. Procuratorial organs registered about 2,000 bribery cases in the first quarter of this year, an increase of 78.4 percent over the same period of last year. Procuratorial organs at all levels concentrated their efforts on handling corruption and bribery cases that involved leading cadres at the county and regimental levels. Major corruption and bribery cases that were investigated and handled amounted to 1,300, an increase of 107 percent over the same period of last year. Sixty cadres at the county and regimental levels were involved in these cases, an increase of 57.9 percent over the same period of last year. The bribery cases that involved Guan Wenbin (leading cadre at the deputy departmental level), originally deputy director of the Advisory Committee of the Daqing petrochemical factory; and Li Kexiang (leading cadre at the deputy departmental level), originally manager of the Daqing enterprise development company, has been put on record for investigation, and a decision has been made to file lawsuits against them.

The masses supported procuratorial organs in examining and handling corruption and bribery cases. Sixty-one percent of the cases investigated in Jiangsu during the first quarter of this year were reported by the masses, and over 40 percent of such cases in Hunan Province and Tianjin City were reported by the masses. Terrified by this mass action, some criminals surrendered themselves to procuratorial organs in the hope of getting lenient treatment.

**PROVINCIAL**

**Hainan Province Projects Power Industry Output**  
**HK0206130589 Beijing CEI Database in English**  
**2 Jun 89**

[Text] Beijing (CEI)—The power industry in Hainan Province targets its short-term development at a total installed capacity of 420,200 kw by the end of 1989, 545,200 kw by 1990, 1.09 million kw by 1992 and 1.6 million to 2 million kw by 1995.

The 1995 figure is four to five times that of the total installed capacity of 1987.

The province has a poor foundation of power industry, with the installed capacity of its biggest hydropower station and thermal power plant reaching only 80,000 kw and 13,000 kw respectively.

In the past year or more since it was established in 1987, the province has installed, with funds it raised by itself, two 25,000-kw gas turbine generating units. Two 50,000-kw thermal power generating units for the first-phase

project of the Haikou Thermal Power Plant were put into operation in September last year and early this year respectively. Two 125,000-kw generating units for its second-phase project are scheduled to go into operation respectively in July this year and March next year.

At present, two main 220-kv transmission lines are under construction, which will greatly improve the power supply in Haikou.

Power projects scheduled to start construction in the near future include the Daguangkan Hydropower project with four 60,000-kw generating units, the Yangpu Power Plant with a total installed capacity of 1.3 million kw and the Sanya natural gas-fired power plant with an installed capacity of 400,000 kw.

In the western part of the province, the Babu and Changpo Power Plants are also listed as key construction projects of the province's development program for the year 2000.

By the year 2000, the total installed capacity of the province's power industry will reach 3 million to 3.5 million kw.

The province also plans to build eight key 220-kv substations and twenty-one 220-kv transmission lines. Rapid progress will also be made in the construction of 110-kv transmission lines.

**Hunan Notice Stresses Price Controls**  
HK3006035789 *Changsha Hunan Provincial Service in Mandarin* 2215 GMT 29 Jun 89

[Text] The provincial government issued a circular on 29 June demanding that all localities continue to strictly control price increases on the basis of the slowdown in increases in the previous period, and attain the price control target for the whole year.

The circular called on the government and the departments concerned to effectively strengthen leadership over price work and resolutely stabilize the price of the food basket. It is essential to implement the policy measures for supporting the development of pig production, keep the circulation channels clear, and strengthen controls over prices for bean products, cold drinks, and cakes. Everything possible must be done to control prices for agricultural production materials. No increase is permitted in the prices of these main materials, such as chemical fertilizer, pesticide, and so on in the next few months. No increase is permitted in public utilities and service trade charges and fees, which are closely linked to people's daily life.

It is necessary to take stock of the monthly price increases implemented this year and make the proper corrections. Where units continue to impose such increases, the leaders must be held accountable. We must punish severely illegal behavior of forcing up prices and fees by taking advantage of the turmoil. We must rapidly

and decisively expose and crack down on lawless elements who deliberately fabricate rumors about price hikes, disrupt market order, and incite panic buying.

## INDUSTRY

**Northeast Managers Call for Industry Support**  
OW0106080089 *Beijing XINHUA in English*  
0647 GMT 1 Jun 89

[Text] Beijing, June 1 (XINHUA)—Industry managers from northeast China, the nation's major heavy industrial region, expressed worries about the current import momentum in today's ECONOMIC INFORMATION.

Geng Zhaojie, director of the Changchun No 1 Automobile Plant, said China is capable of producing cars but its automobile industry has not received proper support and is being harmed by the reckless import of cars.

In the two years from 1983 to 1985 the country imported 132,000 cars, inflicting a heavy blow on the domestic automobile industry, Geng said.

The electrical machinery is also suffering. According to Zhang Denan, director of the Harbin Electrical Machinery Plant, China has become a big producer of power-generating equipment.

"Taking our plant for example, we turn out one third of China's power-generating equipment, and our 300,000 kw and 600,000 kw generating units are popular in the United States, Canada and seven other countries.

"However, some domestic power stations just won't purchase domestically made products and spend large sums of foreign exchange importing foreign generating equipment," Zhang said.

By the end of February China had signed import contracts for 12 million kw of generating equipment, and negotiations are under way for the import of another 7.5 million kw of such equipment, according to him.

They called for effective measures to support national industries.

**Hubei's Wuhan Steel Company Tops Production Target**  
OW2306004789 *Beijing XINHUA in English*  
0548 GMT 22 Jun 89

[Text] Wuhan, June 22 (XINHUA)—The monthly output from the Wuhan Iron and Steel Corporation in May surpassed 400,000 tons, the highest in months, Deputy Director of the General Affairs Office of the company Lei Yonglie told XINHUA yesterday.

He attributed this success to concerted efforts made by workers of the whole corporation during the past month.

He said, despite the fact that transportation was hampered during the nationwide turmoil in May and early June, the 140,000 workers at the corporation, based in the capital of central China's Hubei Province, tried hard to overcome all difficulties to maintain production.

**Yunnan Industrial Production Faces Difficulties**  
*HK0206051889 Kunming Yunnan Provincial Service in Mandarin 1200 GMT 1 Jun 89*

[Text] From January through to April this year, the industrial gross output value of our province was over 6 billion yuan, an 7.4 percent increase over the same period last year. The growth rate of industry under ownership by the whole people was lower than that of the industry under collective ownership and other industries and initial successes have been achieved in macroeconomic control. However, the shortage of funds, energy, and petroleum has curbed the improvement of economic results.

According to statistics compiled by the departments concerned, the industrial total output value of the province in April merely increased by 2.6 percent over the same month of the previous year and dropped by 7.8 percent over March of this year. Meanwhile, there was a drop in production of most products of raw and processed materials. This will affect the industrial production of the next cycle. Moreover, the shortage of circulating funds, petroleum and power that our province is facing has directly affected the normal operation of production equipment of many large- and medium-sized enterprises and will certainly restrict industrial development of our province. Such a situation reminds people of the necessity of making continuous efforts to strengthen the development of basic industries such as energy and raw and processed materials.

### SMALL-SCALE ENTERPRISES

**Nanjing's Township Enterprises Show 'Good Progress' in First Quarter**  
*40060610a Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 3 May 89 p 1*

[Article by Xiong Beiguang 3574 0554 0342: "Nanjing's Township Enterprises Show Good Progress in First Quarter"]

[Text] Facing serious difficulties, township industries in Nanjing Municipality braced their spirits and seized opportunities as they overcame troubles in forging forward. During the first quarter of this year, in order to achieve the central goal of raising economic efficiency, township industries throughout this municipality have vigorously promoted the circulation of capital, stressed product quality, strengthened enterprise management, and reduced material consumption. Township industrial production was thus enabled to post moderate gains, and the increase in economic efficiency far outstripped the

increase in production, thereby strengthening the ability of township enterprises to weather the crisis.

Faced with the national government's strengthened macroeconomic controls and restricted money supply, the Nanjing municipal government took the situation well in hand, and early on sent out signals warning of the troubles that township industries would face with regard to funds, energy, and raw materials. Leaders and entrepreneurs at all levels attained a full understanding and appraisal of the difficulties. This shored up the confidence of township industries in reliance on self-regulation, self-strengthening, turning difficulties into development opportunities, and obtaining new life by triumphing over difficulties.

At the beginning of this year, the responsible departments identified the central task of township industries for the entire year. They defined raising economic efficiency as the focal point in the effort to overcome difficulties. They proposed to name this year "Enterprise Management Year." They have undertaken goal management for lower level government organs, and have issued four criteria by which all outlying counties are to evaluate economic efficiency. They have required that all outlying counties provide policies to guide township enterprises in their efforts to improve marketing, and provide assistance for the circulation of funds. They have vigorously stepped up their management work to bring unused potential into play.

As in other districts throughout the nation, the main obstacle to the development of Nanjing Municipality's township industries is the scarcity of funds. This year, the total planned output value for Nanjing Municipality's township industries is 4 billion yuan, and they will fall 460 million yuan short of the needed 900 million yuan in operating funds. In order to help the enterprises weather the difficult period, the municipal government acted in a timely manner late last year and issued six viewpoints formulated by the municipality's Township Enterprise Bureau regarding methods of cushioning the impact of scarce funds. The Bureau also assured that government organs at all levels would accord a high degree of concern to the issue. They put the circulation of funds on the agenda of government tasks, and actively thought of ways to circulate funds. Jiangpu County has already freed up 6 million yuan, and Jiangning County's Guli Village freed up 3.5 million yuan in the first quarter. Elsewhere, several township industrial enterprises have urged that employees and enterprises weather the difficult period together, and that, for the short term, enterprises switch to issuing living expenses and carry out such plans as insurance in order to cushion the impact of operating fund problems.

In order to vigorously take in hand the economic efficiency of key enterprises, this municipality has made it a matter of policy to rank different enterprises and districts in terms of importance. This has led to fairly good results. Nanjing Municipality formulated the "422 Battle

Front," by whose guidelines they planned for 4 billion yuan of output value and picked 20 key villages (which accounted for 51 percent of output) and 20 key enterprises (accounting for 10 percent of output). At the same time they asked that counties, prefectures, and townships pay special attention to points of central importance and take care of key products and assist poor villages. Government organs at the municipal and county levels in charge of township industries have now targeted 276 key enterprises, and the results have been outstanding. Among them, the 12 key enterprises targeted by the Jiangpu County Township Industry Bureau have achieved profits of 551,800 yuan in the first quarter, which represents 65 percent of all profits brought in by township enterprises in the county.

Nanjing Municipality has named this "Management Year," and has placed an emphasis on using good management to exploit the potential within enterprises. Switching from dependence on outward expansion to dependence on domestically oriented development is being stressed, with an eye to strengthening the ability of enterprises to weather this difficult period.

First, they have strengthened marketing channels, formulated marketing policies, speeded up the pace of marketing, and lessened the amount of capital tied up in finished products. Second, they have vigorously pursued the "two empties" work and speeded up the recovery of currency in circulation. Third, they have strengthened the updating of technology and use of advanced processes and equipment, while raising product quality and economic efficiency. Fourth, they have continued to perfect the contract responsibility system, and have raised the quality and survival capability of enterprise management. Fifth, in order to reduce losses due to power outages, they have raised the usage rate of equipment, increased on-site electric generation equipment, and regularized production. They acted early to solve problems, which they took well in hand, thereby enabling Nanjing's township's industrial production post steady gains. Nanjing's principle indicators of economic efficiency were fairly good.

In the first quarter of this year, Nanjing Municipality's township industries have achieved increases in the following five categories over the first quarter of last year: total industrial output, income from sales, profit per 100 yuan in sales, total profits, and industrial and commercial taxes paid.

The increase over last year for profit on sales, profit per 100 yuan in sales, and total profits, rose respectively by 31.6 percent, 0.94 yuan, and 82.43 percent. They have achieved "three decreases." The number of enterprises operating at a loss has been decreased by 107, the amount of money lost has been decreased by 1.24 million yuan, and the percentage of sales income tied up in outstanding accounts payable has been decreased by 15.7 percentage points. They have achieved "two increases." The rate of sales per output value has been

increased by 1.59 percentage points, and the labor productivity of the entire body of industrial workers has been increased by 494 yuan.

**Liaoning's Township Enterprises Increase Exports**  
40060610.b *Beijing ZHONGGUO XIANGZHEN QIYE BAO* in Chinese 3 May 89 p 1

[Article by Wang Anlun 3769 1344 0243: "Liaoning's Township Enterprises Become New Force for Earning Foreign Exchange"]

[Text] Since the Liaodong Peninsula opened up to the outside world, the foreign exchange earnings of Liaoning's township enterprises have increased by leaps and bounds. According to statistics, a total of 1.465 billion yuan worth of export products were delivered in 1988, which was a net increase of 876 million yuan over the previous year and constituted 15.6 percent of the entire province's exports. There were nearly 200 types of products exported to more than 40 countries and territories. Township enterprises have already become a new force for earning foreign exchange. They exhibit four special characteristics:

—Centered around coastal areas of the Liaodong Peninsula, township enterprises have initially undergone a process of development in stages, from south to north. In 1988, township enterprises in Liaoning's 17 open coastal counties (or prefectures) delivered 1.03 billion yuan worth of export products, which constituted 72 percent of delivered export products from township enterprises throughout the entire province. Delivered exports from six counties (or prefectures) exceeded 100 million yuan. By the end of 1988, the previous year's total of 652 foreign exchange-earning township enterprises had jumped to 1357. 85 percent of the province's counties a (or prefectures) now have township enterprises which earn foreign exchange.

—Support industries for the foreign exchange-earning activities of the township enterprise have begun to spring up. After several years of development, three large industries have formed and are concentrated primarily in foodstuffs, mining, and clothing. The delivered exports of these three large industries in 1988 reached 1.046 billion yuan, which represents 70 percent of the delivered goods of all of the province's township enterprises. Mining products constituted over 60 percent of the province's exports in their category.

—A group of mainstay enterprises has grown to sturdy maturity. As of the end of last year, 315 big township enterprises across the province whose delivered exports had exceeded 1 million yuan, with a total of 1.262 billion in delivered exports. They accounted for 85 percent of total exports by township enterprises. The exports of 22 of these enterprises exceeded 10 million yuan. Another 49 enterprises have been named specialized factories or base enterprises by national, provincial, or municipal planning units.

—A large number of top-quality products have appeared one after another. Of foreign exchange-earning export items that the province had as of the end of 1989, 24 were of superior quality. The judo outfits produced by Dengta County's Zhuangtaizi Apparel Factory won an international gold medal from Lyon, France's (?Bi la [3024 2139]) Company. Dalian's Longquan Winery won a national silver medal for its jujube liqueur, as did Haicheng's Yingluo Magnesite Metallurgy for its magnesite. In 1988, national prizes for township foreign exchange-earning were won, including six Flying Dragons, two Golden Dragons, and three Blue Dragons. Several products were also awarded Superior New Product prizes and Technological Progress prizes from various ministries as well as the provincial government.

## FOREIGN TRADE, INVESTMENT

### Enterprises With Foreign Investment Increase

HK0806114989 Beijing RENMIN RIBAO in Chinese  
3 Jun 89 p 1

[XINHUA report by Li Xiaolin 2621 1420 2651: "The Number of Enterprises With Foreign Investment Increases Rapidly"]

[Text] Dalian, 2 Jun (XINHUA)—Ji Chongwei, vice president of the Association of Enterprises With Foreign Investment in China, disclosed at a recent meeting in Dalian that in the past 10 years, enterprises built in China with foreign investment have exceeded 15,000.

Prior to 1978, there were only 20 enterprises with foreign investment in China. By the end of 1988, the accumulated total of enterprises with foreign investment approved to be set up across the country had already reached 15,948; among them 594 were of sole proprietorship. Foreign investment agreed to be made in these enterprise amounts to \$28.16 billion and the actual foreign capital absorbed reaches \$12.1 billion.

According to Ji's briefing, in the past few years, sources of foreign investment in China have become more and more extensive. At present, more than 40 countries and regions have made investment in China. In particular, in the past 2 years, investment made by the United States and Japan has been increasing rapidly and the volume of their investment accounts for more than 30 percent of the total volume of the agreed foreign investment in China. There has also been a marked increase in the number of Taiwan manufacturers and businessmen who have made investment on the mainland. The volume of investment agreed upon last year already reached \$600 million. A survey on 1,607 enterprises with foreign investment in the coastal areas carried out by the Bank of China in 1988 shows that 41.3 percent of these enterprises attained good economic results and were able to have a surplus in the balance of their income and expenditure of foreign exchange and only 8.9 percent of them were unable to balance their foreign exchange.

Last year, there was a record high in absorbing foreign capital. This year, the momentum of importing foreign capital remains good. From January to April, the total volume of investment agreed upon already reached \$4.5 billion, 44 percent over the same period last year.

### Ivory Coast Trade Minister Opens Exposition in Shanghai

34190243z Abidjan FRATERNITE MATIN  
in French 25 Apr 89 p 6

[Article by Adama Diabate]

[Text] China, with its 1.1 billion inhabitants, is a privileged market to which the Ivory Coast hopes to sell more cacao.

This hope was expressed yesterday morning by Minister of Trade Nicolas Kouandi in officially opening the exposition of export articles at CAISTAB hall in the city of Shanghai. A total of 14 companies in Shanghai, with 12 million inhabitants the largest city in China, will display a wide range of products at the exhibition running until 29 April: textiles, products from light industry, hardware and metal items, machines, enamel articles, clothing, tea, paper products, and sporting goods.

A number of products are being offered for sale at CAISTAB hall, while some 20 representatives of the 14 exhibitors sound out the Ivorian market seeking business opportunities with their Ivorian colleagues.

In his opening speech, Kouandi first of all recalled an exhibition held in January in another city, Shenyang, and congratulated China for its tireless efforts to gain an economic and commercial foothold in the Ivory Coast.

Kouandi said trade with China amounts to some 20 billion francs a year, a vast improvement since the signing of a trade agreement in December 1984. The Ivory Coast mainly imports rice, cotton goods, and Chinese shoes, with a clear predominance of white rice making up over 48 percent of our purchases.

China essentially buys only cacao in the pod from our country, but the product fluctuates in quantity and cost. Commercial trade is marked by an almost structural deficit for the Ivory Coast, which has a very low rate of cover of 10 to 20 percent.

The minister of trade hastened to say, however, that our goal has always been to increase overall trade rather than achieve an even trade balance at any cost.

He added that we nevertheless appreciate any action that would tend to increase our country's possibilities of cooperation and development, particularly efforts by our partners to introduce Ivorian products to the people and open up their markets.

Speaking before Kouandi, Shi Yong Xiang, head of the exposition, introduced the Chinese delegation and Chinese Ambassador Cai Zaidu, who noted that such exhibitions show the strengthening of bonds of friendship and cooperation between our two countries.

### Western Regions, Provinces Open to Outside World

OW3006112189 Beijing XINHUA in English  
0752 GMT 30 Jun 89

[Text] Yinchuan, June 28 (XINHUA)—While east China's coastal areas are boosting their export-oriented economy, regions and provinces in west China are steadily opening up another passage to the outside world in a bid to catch up with the comparatively well developed eastern areas.

By taking advantage of their natural resources and geographical conditions, these western areas are conducting economic and cultural exchanges with Arab countries and the rest of the Islamic world, as well as promoting border trade with the Soviet Union and economic and technical ties with Eastern and Western European countries.

These activities indicate that the "Silk Road," which thrived 2,000 years ago linking China with the rest of the world, has revived under the name of the "Western Passage."

Western China comprises the provinces of Gansu, Qinghai, Shaanxi and Sichuan, and the autonomous regions of Ningxia, Xinjiang, Inner Mongolia and Tibet. The area is the most backward part of the country.

Zhang Yongqing, deputy director of the Ningxia Academy of Social Sciences, is undertaking a state research project on relations between the development of the northwest and the region's opening to the outside world.

He and another local researcher have recently published a book titled *New Ideas on the Opening of Northwest China*.

He noted that the opening up of the "Western Passage" is a natural result of China's open policy and was prompted by the development of the coastal export-oriented economy.

"It will be an important passage for China to enter the Islamic markets in the Middle East and a major channel to absorb investment from Eastern and Western European countries," Zhang said.

In addition, it will provide an opportunity and weighty catalyst for the western region to further promote foreign economic cooperation and speed up its development, he said.

In economic and cultural cooperation and exchanges with Arab countries, Ningxia and Xinjiang, two of China's biggest Islamic communities, have taken the lead.

Native produce, light industrial products and machinery from the two regions have been displayed in many exhibitions held in the Middle East, and live sheep, vegetables, melon seeds, and machinery have been exported there.

In addition, the two autonomous regions received a grant of four million U.S. dollars from the Islamic Development Bank for the construction for an Arabic school and an institute of Islamic theology.

The western region has also provided labor service for the Middle East.

Every year, more than 10,000 construction workers from the region build government offices, residential apartments, barracks, and national defense projects in Egypt, Kuwait, the Yemen Arab Republic, Iraq, Libya, the United Arab Emirates, Ghana, and Bangladesh.

Foreign cooperation has even extended to finance. Last April, the Islamic International Trust and Investment Corporation of Ningxia signed a contract with the al-Baraka Investment and Development Co of Saudi Arabia to jointly launch a trust and investment company, involving 80 million U.S. dollars.

Ningxia is also negotiating with Kuwait and Egypt on cooperation in building a ferroalloy plant, a garment factory and a soft drink factory.

The al-Baraka Investment and Development Co has selected Ningxia as its partner because of common religious and cultural traditions.

To date, 120 Sino-foreign enterprises using foreign funds have been launched in northwest China, involving a total investment of 300 million U.S. dollars.

By taking advantage of its bordering on some foreign countries, the western China region has devoted great efforts to developing border trade with these countries, specially the Soviet Union and Mongolia.

In 1988, Xinjiang, which shares a 3,000-km boundary with the Soviet Union, recorded a total trade volume of 180 million Swiss francs with that country, seven times the figure for the previous year.

Meanwhile, border trade volume between Inner Mongolia and Mongolia hit 14 million Swiss francs, representing a 2.5-fold growth over 1987.

Western China exports agricultural and textile products in exchange for badly needed steel products, timber, cement and chemical fertilizers.

Moreover, last year Xinjiang signed 11 technical agreements with five Soviet republics. Recently, the Kazakhstan Republic of the Soviet Union proposed 51 projects of cooperation with Xinjiang.

To speed up their opening efforts, Xinjiang and Ningxia are planning to establish two special economic zones, feasibility study reports for which have already been submitted to the State Council.

#### Fujian Sees Increase in Investment by Taiwan

HK1206093989 Beijing CEI Database in English  
12 Jun 89

[Text] Fuzhou (CEI)—Chen Guangyi, Party Secretary of Fujian Province, said recently that the province has seen a big increase and favorable trends in the investment by Taiwan compatriots.

According to Chen, the provincial authorities are making efforts to improve Fujian's investment environment.

Due to traditional links between the people living in Fujian and Taiwan, there has been a great increase in the economic, trade and cultural exchanges in recent years. By April this year, Taiwanese have financed 302 projects in Fujian, including 64 projects signed in the first quarter of the year.

Last year, Xiamen city in Fujian signed 80 contracts involving 100 million U.S. dollars to establish joint ventures in cooperation with Taiwan compatriots. The capital input accounted for 50 percent of the foreign finances in Xiamen, making Taiwan the city's biggest economic partner.

In the first three months of this year, Xiamen reported the signing of 30-million-U.S.-dollar-worth contracts on the establishment of 28 new Taiwan people financed enterprises.

Recently, there are four trends in the investment: Single project finances are shifting to sector development; individual investors are grouped to make joint investment; an increasing amount of investment by overseas Chinese and Hong Kong compatriots is playing an active role in stimulating Taiwan businessmen; in contrast to the earlier finances to the township labor-intensive enterprises, more funds from Taiwan businessmen are put into the enterprises of various sizes that have a combined labor-, capital- and technology-intensive feature.

These trends have provided an opportunity for Fujian to carry out its coastal development strategy, and develop its economy into an export-oriented one.

The province has planned to open all of its 33 coastal counties to foreign investment and offer preferential treatment to Taiwan and foreign investors in the scheduled extensive open reform region. The state council has already approved the plan in principle.

Besides, the province has also designed to construct in Fuzhou, Xiamen and some other places several Taiwan business people financed development and processing industry areas, and adopt new measures to approve land uses wherever there is a new project launched.

To further improve the investment environment, the provincial authorities have vowed to accelerate the construction of harbors, expand the Xiamen and Chongan airports, finish the Fuzhou-Xiamen Railway work at an earliest possible date, prepare the construction of a new railway linking Fuzhou, Wenzhou and Ningbo, speed up the installation of a program-controlled telephone network, complete the Shuikou Power Plant before 1993, and explore offshore oilfields.

Meanwhile, the authorities will improve the soft environment of investment by tackling the issues in the provincial policies, laws and regulations, service industries and operation efficiency. The central government has agreed to authorize Fujian to formulate some local laws and regulations to give every convenience to Taiwan businessmen in investment and cooperation projects, and legalize the right of inheritance for the investment.

#### Guangzhou Foreign Trade Increases in 1989

OW1506083889 Beijing XINHUA in English  
0607 GMT 15 Jun 89

[Text] Guangzhou, June 15 (XINHUA)—Guangzhou, capital of south China's Guangdong Province, exported 358 million U.S. dollars-worth of goods in the first 5 months of this year, fulfilling 43.92 percent of the annual plan, according to the GUANGZHOU DAILY.

A city official in charge of foreign trade was quoted as attributing the good result to Guangzhou's efforts to boost foreign trade, tap enterprise potential, and rearrange the structure of export-oriented production, while opening up new markets.

## LABOR

#### Surplus Rural Labor Large, Growing

##### Solution Proposed

40060617a Beijing JINGJIXUE ZHOUBAO  
in Chinese 28 May 89 p 3

[Article by Zhou Hongduo 0719 7703 6995: "A 'Cross-Type Greater Agriculture'—The Direction and Path To Be Taken in the Movement of Rural Manpower"]

[Excerpts] [Passage omitted] According to statistics, China's surplus rural manpower has grown to 85 million since the start of the reform, and is expected to reach an estimated 180 million by the end of this century. Occurrence of this surplus manpower is a normal phenomenon; it is a sign of the development of China's rural productive forces.

### Causes of Rural Manpower Surplus

[Passage omitted] Aside from the increase in the level of rural production causing the surplus of rural manpower, which is a cause containing a definite pattern, there are also the following causes for China's present surplus of rural manpower:

First, a reverse movement of labor aggravates the problem of surplus rural manpower. It would be common sense to assume that the rural surplus manpower, created by the development of the rural productive forces, would move to the industrial or commercial sectors. However, in recent years, a reverse movement has occurred, i.e., a movement from the industrial and commercial sectors to the agricultural sector. According to statistical data of relevant departments, almost 600,000 persons left industry and commerce in 1987 to return to the land, and in the first half of 1988, they numbered about 400,000, a movement that added surplus labor to the rural labor force, which had already a manpower surplus problem of its own.

Second, many middle school and primary school students in the rural areas drop out of school and join the ranks of the surplus labor force. Youths attending school in the rural areas are not part of the rural labor force, but if they drop out from school and return to their villages, they are of course joining the ranks of surplus labor in the rural areas. This type of surplus labor is an immature labor force, and their move entails greater difficulties than the move of a mature labor force. The existence of this immature surplus labor force not only adds to the rural surplus manpower, but will also have an adverse effect on the quality of the rural surplus manpower, and will in future constitute a tremendous pressure on the rural areas and on the entire society.

Third, the increase of the "out-of-plan" population in the rural areas constitutes a potential surplus labor force. Among the present rural surplus labor force in China, some were born during the second crest of childbirths. In the future, an additional considerable extra-plan population will grow up to working age. Out-of-plan population of this kind is already "surplus population" from the day they are born, and constitutes a potential surplus to the labor force. This is so because most of these people born "out-of-plan" are in the countryside, and mostly also in densely populated, less economically developed regions. When they grow to working age, they will very likely become members of the surplus labor force, and the development of the economy will cause them to join the ranks of the surplus labor contingent.

### Direction of Manpower Movements—Energetic Development of Agricultural Service Industries and Farm Product Processing Industries

[Passage omitted] Looking at the road that has been traveled by developed countries, we see that rural surplus labor will move to the cities to join the ranks of the industrial workers. Repeating their experiences would

not suit China's national condition. I believe that it is rather necessary, in view of the important characteristic of China's large population, to firmly adhere to the principle of "leaving the farm, but not leaving the countryside" in shifting surplus rural manpower, and that we must energetically develop a "cross-type greater agriculture." For quite a long time, we have understood agriculture merely as the pursuit of farming, forestry, animal husbandry, and fishery. This is a traditional concept formed under the conditions of rather backward productive forces. A truly "greater agriculture" must also include the agricultural products processing industry and the agricultural service industry. In the villages that we are speaking of, there exists a substantial surplus labor force which takes no notice of the two important agricultural production sectors, namely the agricultural service and agricultural product processing industries. If these two sectors of agricultural production were fully developed, they could accommodate a considerable labor force. Despite China's large surplus manpower in the rural areas, China's agricultural productive forces are still at a low level; they are essentially at the stage of small-scale production, where one family or one household performs the entire process of agricultural production. In the truly socialized greater agriculture, one family or one household would not be able to pursue agricultural production relying merely on sickle and hoe or other simple tools of production. They would have to be provided with high quality agricultural services by the agricultural service sector; services, for instance, with regard to seed selection, intertilling of crops, technologies, etc. The production process of breeding also requires that society provide services, for instance, corrals for livestock, insurance, etc. Processing of agricultural products is now being done by agricultural product processing departments. This method adversely affects the employment chances for rural surplus manpower, and also increases the costs of processing agricultural products, which in turn is unfavorable to consumer interests. If a "cross-type greater agriculture" were established, agricultural products could be processed locally where the products are grown, and this would not only expand employment opportunities for labor, but would naturally reduce the production costs of the processed agricultural products, which would be of advantage to consumers as well as to the peasants themselves.

### Precondition for Setting Up a 'Cross-Type Greater Agriculture'—Raising the Educational Quality of Peasants

To accomplish the shift of the present rural surplus manpower by means of setting up a "cross-type greater agriculture," it is necessary to resolutely institute measures to raise the educational quality of the peasants. Some of the developed countries of the West give much attention to the educational quality of their peasants. For instance, to qualify as a farmer in West Germany a person must hold two certificates, the "red certificate" of having graduated from the regular course of an agricultural university, and the "green certificate" of having had a certain amount of practical experience. That

means, to become a qualified farmer, a person must have a sound scientific and general education as well as practical experience. If we compare the educational quality of China's peasants in this respect with those of some developed countries, there is a huge disparity indeed, since such a large proportion of China's peasants is illiterate and semi-illiterate. There are data that record these facts. Among the rural labor force of Hubei Province, 68.2 percent are of a primary school level of education, or are illiterate and semiliterate. Similar situations exist in other provinces and municipalities. Existence of this large percentage of illiterates and semiliterates seriously affects development of a "cross-type greater agriculture." The best method of mending this situation now is to institute effective rural education. Rural education comprises education of youths of school age as well as young adults in mature working age groups. In the matter of educating youths of school age, we must on the one hand strictly enforce the laws on compulsory education and continuously increase the rate of school attendance of all children of school age. On the other hand, we must also adopt effective measures to raise the standards for teachers at rural middle and primary schools. In a test of actual qualifications of China's rural middle school and primary school teachers on the subjects they were teaching, only 9 percent passed the test. One can well imagine that it is impossible for this contingent of teachers with such low standards to teach students to any high degree of learning. To raise the quality of teaching at rural middle and primary schools, it is therefore also necessary to give major attention to raising the quality of middle and primary school teachers. The education of rural youths of working age must be included in the national state plan for adult education.

Suitably adapting to the rural adult education situation, we must also institute a system of right-scale contractual responsibilities for specialized operations. That means that the owner of the land (the state) shall determine the scale of operations according to the special characteristics of the land and by means of a scientific assessment. Then the right scale of total yield from the land shall be determined, as well as the scope of operations, clearly establishing the quality standards of the products and determining the rate of taxes to be paid to the authorities. After all this, the general public shall be invited to bid. The successful bidder shall then, according to contract, in a scientific way, organize surplus manpower to operate various kinds of service industries and farm product processing industries which shall serve the grassroots agricultural production. In this way, a factory-like operation of agriculture shall be achieved. To increase their economic efficiency, the successful bidders will want to improve the education and training of their personnel. Under these conditions, rural adult education will become an important channel to enhance the quality of rural workers.

I have made development of "cross-type greater agriculture" into one line, with Chinese characteristics, for shifting rural surplus labor, but I have not at all made it the one and only line. In coordination with it, there are also possibilities to start up township industries, transportation, or construction industries of service to agricultural production, on the principle of leaving the farms

but not the villages, and in accordance with the special characteristics of the locality in question. However, at the present stage it is indeed still necessary, in order to improve the condition of Chinese agriculture, to operate some agricultural service industries and farm product processing industries, and to have less, or even none at all, of township industries of a low technological level that are completely unrelated to agriculture, while they may still compete with large industry for raw materials.

#### Problem of Rural Labor Migration

40060617b Beijing JINGJIXUE ZHOUBAO in Chinese  
28 May 89 p 3

[Article by Zhou Dengke 0719 4098 4430: "The Disaster of the Great Movement of Rural Manpower"]

#### [Excerpts] The Heavy Price Paid for "Prosperity"

- 1) Development has aggravated the spread of "city maladies." A large floating population has poured into the cities and has caused city traffic facilities, already much overburdened, to "groan" under the additional overloading. Environmental hygiene and public security is steadily deteriorating. Food grain supply, supply of nonstaple foods, and supplies of various daily necessities are also running short.
- 2) The development has increased an "aristocratic attitude" among urban staff and workers. When rural workers get to the cities, all that most of them will do is low-skill work in poor conditions, with much physical labor involved, so that the rural workers will end up with all the dirty, cumbersome, and poorly paid work, originally done by urban staff and workers.
- 3) The development runs counter to the principles governing the distribution of industry. Industrial economy is by its very character an economy of assemblage and association, and from the standpoint of regional economics, industry must be located where there are communication and information facilities, and where there is a relative concentration of population, while it must not be located in the remote townships and villages of this vast land. However, the development of China's township and village industries has right from the start run counter to these basic principles of locating industries, and run counter to the motivation for starting them and the purpose of operating them.
- 4) The development has increased pressure on state finance. Under China's current system of supplying food grain, a system essentially characterized by fiscal subsidies, the urbanization of large numbers of the rural population is bound to add to pressure on state finance. At the same time, the influx of thousands upon thousands of poor rural population into the cities is bound to diminish the present organic structure of the nonagricultural industries in the cities and to delay the country's urbanization, and even the entire evolutionary process of the industrial structure.

5) The development has increased the "restless" element in society. The huge labor force of 70 million that has now poured into the cities are becoming a "dead angle" of society, be it in ideological-educational work or administrative work; they are "hotbeds" of all kinds of criminal activities. Besides, if we figure that each person in this huge mass of floating population consumes only 20 kilos of food grain per month, they will need 140 million kilos of food grain every month. This is undoubtedly a heavy pressure for our great country, in which there is really no abundance of food grain. The slightest fluctuation in the grain production can quite possibly lead to "high frequency oscillation" in the livelihood problems of the urban population.

6) The development has brought about overall stagnation and shriveling up of agricultural production. At the present level of China's productive forces, development of agricultural production still mainly depends on the numerical strength and quality of the labor force, as well on the supplemental intensity of labor. In the last few years, there has been a sharp decline in the numerical strength of labor engaged in China's agricultural production, a decline in quality, and a decline in labor intensity. We cannot deny that this is an important reason for the overall stagnation and shrivelling up of China's agricultural production since 1985.

#### **Be on Guard Against Another "Reverse Flow" of Manpower**

In the last 40 years of China's history, there have been two periods of "reverse flow" of manpower (from nonagricultural occupations to agriculture). The first one was at the time of the "great leap forward," from 1958 to 1960, when the abnormal increase in the country's industrialization created false demands for labor, which led to an "excessive inflow" of rural labor. Within only 3 years, the urban population had increased by over 30 million people. By 1985 [as published], actual rural labor had declined by over 38 million compared to the preceding year, which seriously affected realization of the "high production" objective. As a result, the state was compelled, starting in 1959, to strictly prohibit enterprises and industrial units to hire any more rural labor, and, furthermore, lot by lot sharply reduced the rural labor that had moved into the cities because of the false demands. The second "reverse flow" came between 1966 and 1976, the time of the Cultural Revolution, when several million government cadres and intellectuals were sent into the countryside to work in the villages, and when over 16 million educated youths were sent to work and settle in the countryside and in mountain areas, or were distributed to construction corps and state farms. The abnormal conditions of these two "reverse flows" of manpower inflicted inestimable damage on the development of the national economy of the republic.

This author believes that the present development of China's economy is engendering and initiating the elements of a third "reverse flow" of manpower. This is a "warning signal" of a danger that deserves our utmost attention.

First element: The large movement of China's rural manpower in recent years is a product of inflation of both investment demand and consumption demand. In a certain sense, this demand for manpower is illusory. An important objective of regulating the economic environment and rectifying economic order is to cool down the overheated atmosphere of investment demand and consumption demand. Because of the influx of rural surplus manpower into the cities, now going on due to false demands, China is about to create a serious condition in the countryside.

Second element: The institution of a whole series of reform measures, such as the all-round implementation of plant director and manager responsibility system and improvement of labor composition, are bound to turn the more than 15 million "hidden unemployed" staff and workers, presently existing in China's state enterprises, back again into "persons awaiting employment." We must add to this figure another approximately 2 percent of urban youths seeking employment every year. Finding employment for all of them becomes a heavy burden for present-day China.

Third element: The "inherent deficiency" of township industries and the constantly deteriorating outward environment have brought about a historical "landslide," be it quantitatively or with regard to actual returns. As an inevitable consequence, a part of the manpower will "spill out" from township enterprises and again return to the countryside.

Fourth element: Since China relaxed restrictions on township building standards, the number of market towns and the urban population have increased tremendously within a short time, and tremendous increases of urban population is directly related to tremendous increase in demand for food grain. As the country's warehouses are essentially empty and grain production cannot be increased for the time being, any slight fluctuation in grain production can quite possibly produce the danger of destabilizing the urbanized agricultural population.

## **AGRICULTURE**

### **Capital To Procure Farm Products**

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[Article by Li Shusheng 2621 2885 3932, fifth team, Center for Research in Rural Development, State Council: "The Problem of Capital for the Procurement of Farm Products"]

#### **[Text] I. Writing IOU's, a Matter of Some Concern**

A. Since 1985, the shortage of capital for the procurement of farm products has grown increasingly serious.

The peasants did not get cash when they sold their grain; the procuring units would merely write out vouchers instead, to the great dissatisfaction of the peasants. By 1988, the shortage of funds for procurements had become even worse, and the practice of procuring grain against vouchers increased unabated throughout the country. According to statistics for Jiangsu, Hebei, Anhui, and a few other provinces, the commercial departments had written out vouchers for grain, cotton, and cured tobacco leaf to the amount of 1 billion yuan in the 3 months since actual procurement had started. This seriously dampened peasant enthusiasm for growing grain and raised a whole series of problems for efforts to improve the economic environment and to maintain political stability and unity, problems that must not be underestimated.

B. Up to the end of October 1988, the commercial departments, supported by the Agriculture Bank, procured 99.48 billion jin of grain, which was 2.53 billion jin less than during the same period in 1987, and amounted to 56.3 percent of procurements contracted for and purchases at negotiated prices provided for in the plan. Cotton was procured to the amount of 34.4 million dan, which was 14 million dan less than during the same period in 1987, and 39.2 percent of procurements contracted for under the plan. Edible oil was procured to the amount of 3.03 billion jin, which was 1.2 billion jin less than during the same period in 1987. As the state's procurement stations had no money to pay for the grain they were procuring, many lawless units and individuals took advantage of the situation to buy up large quantities of grain at high prices, cash against goods on hand, thereby interfering with the process of grain procurement. As the peasants could not get cash for their grain from the state's procurement stations, they were unable to go on with their operations or to invest, which had an adverse effect on the next crop planting, and the issue of vouchers had the peasants incur economic losses, as could be foreseen.

C. In the past, the state has all along attached importance to the supply of capital to ensure procurement of farm products, but there have been differences in the objective effectiveness at different historical periods. Under the system of people's communes, the production team was an independent economic accounting unit, and whenever the peasants sold grain and the state procured grain, accounts were basically settled through a bank, and the part that had to be paid in cash to peasants was only of a limited amount. The banks guaranteed supply of funds for all farm products that had been bought, and there had never been a problem of shortage of funds for the purchase of farm products. From the time that the output-related responsibility system was instituted in the rural areas to the time of the reform of the bank loan system in 1984, conditions changed. With the emergence of the commodity economy and market mechanism in the rural areas, peasants gradually assumed the status of independent commodity producers, and the sale of grain by the peasants and purchase by the state had to be

conducted according to the law of value. It became then a legitimate demand of the peasants that for all sales to the state, goods would be supplied against cash. At that time, the bank loans of the plan and the available capital were identical. The allocation of funds for procurement was managed by the People's Bank and the Industrial and Commercial Bank in the form of plan norms. The Agricultural Bank was serving as agent and by itself had no capital to exercise any kind of pressure in the procurement. There was, therefore, essentially no incidence of issuing vouchers. If in some places a shortage of cash did occasionally occur, it was only due to technical reasons, such as cash transportation difficulties. At the end of 1984, during the structural reform of the enterprises, various specialized banks carried out a new loan system of "actual cash loans from actual deposits." In this way, plan allocations and the available capital became two different lines in the operations. Procurement was below the county level (not including the county level itself), and it occurred as one of the new phenomena that the Agricultural Bank itself undertook financing of procurement activities. In the question of grain procurement funds, there were on the one side the peasants and on the other side the grain procurement units, the Agricultural Bank, the Industrial and Commercial Bank, the People's Bank, the public finance organs, and the local governments. Under these circumstances, although the state emphasized that supplies of funds for farm products were guaranteed, there was a mutual overlapping of the various interests of the entities involved, many contradictions could not be resolved, and finally it all ended in a shortage of capital for the procurement of farm products, which in turn led very soon to the widespread issuance of vouchers.

## II. Where Did the Problems Arise?

D. At the present stage, there is no surplus but rather a shortage of whatever farm products are produced in China, but as far as procurement quantities are concerned, the state still has a very large capital potential. With a deeper insight into the phenomenon of vouchers being issued in the procurement process, we may say that shortage of procurement capital is only an outward symptom; the fundamental problem is that the rural economic reform has become divorced from grain procurement and marketing reform, and no mutual coordination has taken place. Some questions of economic relations and of the organizational system present a distorted picture, either procurement capital has been seized at some place and cannot be made available anymore in the procurement season, or it has been retained at various levels and diverted to other uses, procurement capital thus having lost its normal sources and circulation channels. In most recent years, because the Agricultural Bank changed its allocation of farm product procurement funds from an agency operation to acting in its own name, also due to a variety of other influences, such as the transformation of the specialized banks into enterprises, the problem of procurement capital has become very complex, with undesirable

twists occurring in the following major relationships: (1) The relation between the grain system and the banking system; (2) The relation between public finance and the banking system; and (3) Relations within the banking system. These are very important factors. Most prominent among these relations is the relationship between the Agricultural Bank, the Industrial and Commercial Bank, and the People's Bank. Besides, there are also many internal problems within the agricultural banking system that must be resolved. (4) The relation between the local governments and the various functional departments. (5) The relation between the peasants on one side and the procurement units and Agricultural Bank on the other side.

E. Units of the grain system of county and higher level (including the county level) have now opened their accounts with the Industrial and Commercial Bank, while procurement stations below county rank have opened accounts with the Agricultural Bank. The hundreds of thousands of procurement stations throughout the country are the first line in the state's procurement of farm products and carry out the most important task in the procurement of farm products. The basic-level procurement stations are not independent accounting units and in financial matters carry out an accounts reporting system. This means, organizationally, that operations of one and the same grain procurement system, complete in itself, are influenced and restricted to a large extent by the activities of two specialized banks. Settlements and remittances of grain funds often do not proceed smoothly, and when the peasants sell their grain to the procurement stations, the stations will figure out and report the amounts due to the higher ranking grain procurement department (generally to the county grain bureau); and at the same time, as demanded by the peasants, either pay the amount in cash or deposit it directly at the Agricultural Bank. This requires that the county grain bureaus, which have their accounts with the Industrial and Commercial Bank, promptly remit grain procurement funds to the accounts of the procurement stations, which have their accounts with the Agricultural Bank. These remittances appear in the mutual current trade accounts of the Industrial and Commercial Bank and the Agricultural Bank, and since the Industrial and Commercial Bank frequently cannot promptly remit grain funds, either because of its own accounting reasons or for other reasons, they often retain grain procurement funds of the Agricultural Bank. Besides, the markup on grain prices paid by the state to peasants is allocated by the county finance bureau to the county grain bureau's account at the Industrial and Commercial Bank, and it frequently happens that the Industrial and Commercial Bank cannot promptly transfer these funds on to the lower procurement units, which also adversely affect the proper operation of grain procurement funds. According to incomplete statistics, up to the first 10-day period of October of 1988, the finance and commerce departments as well as industrial and commercial enterprises in the 24

provinces of the country use up 7 billion yuan of funds belonging to the Industrial and Commercial Bank, which is about one-tenth of the total amount of procurement funds at the end of 1987.

F. The public finance departments are also closely involved in the handling of capital to be used for the procurement of farm products, which is mainly apparent in their handling of funds to pay for markups on grain prices and the grain reserve fund. Among the problems in connection with funds for markup payments there are: First, due to imbalance in revenue and expenditure, payments are delayed. In the first half of 1988, public finance was in arrears to the amount of 2.88 billion yuan in markup payments for grain, supposed to be supplemented but not supplemented to the Agricultural Bank, and in arrears with 1.72 billion yuan in markup payments for grain and loss subsidies of a policy nature, to be supplemented but not supplemented to grain enterprises, whose accounts are with the Industrial and Commercial Bank, both figures adding up to 4.6 billion yuan. Second, the channels for the allocation of funds to pay markups on grain prices are impeded. Even if public finance is not in arrears with payments, funds are often held back by intermediary levels. It happens that if funds are not used in accounts settlements of the Industrial and Commercial Bank, they are held back by local government or other units, and the result is that all contradictions culminate at the basic-level procurement stations and the agricultural banks. The grain reserve fund, it would be reasonable to assume should be put up by public finance, as was done before 1984, but due to the stringency of public finance, it was changed to having the banks put up the money, the treasury allowing a discount for interests, and in this way the banks are left to use this fund over a long period of time.

G. The Agricultural Bank is responsible to supply the main part of capital for the procurement of farm products. During the years from 1985 to 1987, the Agricultural Bank granted 346.2 billion yuan in loans for the purchase of farm products, thereby financing the purchase of 280.35 million tons of grain, 9.746 million tons of edible oils, and 11.43 million dan of cotton. At the end of 1987, the Agricultural Bank had a balance 69 billion yuan of procurement funds, which was 29.9 percent of the total of all its loans. We have to affirm that the Agricultural Bank has done much good work to ensure the supply of funds for the procurement of farm products.

At the same time, there exist some problems that obstruct procurement funds to be in proper place and to be properly targeted. This shows primarily in the structuring and in the handling of time limits on loans by the Agricultural Bank. In 1988, some regional agricultural banks were very lax in managing the farm products procurement funds that were remitted to them during the first half of the year. By the end of August, loans to town and township enterprises and industrial loans in excess of plan amounted to 2.44 billion yuan, which

amounted to 12.8 percent of all farm product procurement funds. Procurement of farm products is a basic line of business of the agricultural banks. The procurement task is concentrated in their hands, it is very seasonal, and involved the issue of large amounts of money. The agricultural banks must plan early, and arrange early for the composition and time limits of their loans, according to their own fund availability. Shortly before the start of the procurement season, they must ensure that funds are ready, and that they will be properly used for the procurement of farm products. Otherwise, shortage of funds may occur in the procurement season.

H. Agricultural banks are the mainstay of financial activities in the rural areas, and actually play the role of state banks. Apart from making funds available for the procurement of farm products, they are also involved in such matters as agricultural production, development of town and township enterprises, and commodity circulation. They also cooperate with the rural credit unions in the movement of funds, therefore, outwardly the issue of procurement funds by the agricultural banks is influenced by many factors and shows a certain law-guided nature. Fluctuations of procurement funds for farm products during the years from 1985 to 1987 reflect the fact that procurement funds for farm products were characterized by the following two factors:

1. The ups and downs in procurement funds for farm products coincide essentially with the increases and decreases of deposits made into banks by credit unions; the two institutions supplement each other's capital requirements.

Every year the times between January and April and between September and December are the times of greatest decline of farm products in storage and of procurements at their height. The time from September to December is high season for procurement of farm products, the main source for procurement funds being increased bank deposits by credit unions. The proportion of increased deposits by credit unions in the net amount of funds invested for the procurements of farm products was: for the period from September to December of 1986 77.5 percent, and for the same monthly period in 1987 67.2 percent. After the farm products bought and placed in storage during the second year declined, the declining capital was also used to pay out credit unions as they were withdrawing their deposits. The proportion of payments to credit unions withdrawing their deposits in the decline of capital available to be used for loans for the procurement of farm products during the same period was: during the period from January to April of 1986 37.7 percent, during the same months in 1987 50 percent, and during the same months in 1988 60.4 percent.

Looking at the situation in the last few years we see that after loans for procurement of farm products decline in the first half of the year, they regain the same level as the start of the year only toward the end of November, while

deposits by credit unions will regain the level of the start of the year essentially only in December. In the early period of procuring farm products, when disbursements have to be made first, before funds would be received back, it was therefore necessary to borrow from the People's Bank to supplement funds, which would be repaid in December when deposits from the credit unions would again increase. During the first half of every year, from out of the funds available, as loans for procurement of farm products decline, somewhat over 50 percent is used to pay out withdrawals of credit unions and about 15 percent to repay temporary loans from the People's Bank. In the latter half of the year, when procurements are at their height, the increase in deposits by the credit unions constitute 70 percent of the sources of procurement funds. The problem of the remaining not quite 30 percent will be solved by a temporary loan from the People's Bank, which will be extended into the new year.

2. Issue of funds for the procurement of farm products restricts the retrieval of credits by the agricultural banks.

Speaking of the regular pattern of receipt and disbursements of rural loan funds, the height of issuing funds for the procurement of farm products is precisely also the height of retrieval of rural credits. That means, only cash sales of farm products by peasants will provide a concentrated financial source for deposits and recovery of agricultural loans. Precisely because this is so, the issue of funds for the procurement of farm products in the latter half of the year will then also become a major factor in retrieving rural credits. In every second half of each year, from 1985 to 1987, the retrieval of rural credits (not including increases in deposits by credit unions) accounts for the following proportions in the issues of funds for the procurement of farm products: 31, 34, and 38 percent respectively. This proportion is still going up year after year, following intensified organizational work in connection with rural capital accumulation. Issue of funds for the procurement of farm products, therefore, restricts retrieval of rural credits.

	Unit: 100 million yuan				
	Increases in Loans for Farm Product Procurement	Increase in Credit Retrieval	Return on Savings Deposits	Percentage of Increase in Credit Retrieval to Increase in Loans for Procurement of Farm Products	
Jul-Dec 85	+158	+49	20		31
Jul-Dec 86	+171	+58.7	83.3		34
Jul-Dec 87	+246	+93.4	86.4		38

However, due to the fact that the two do not come at the same time, it created an evident peculiarity in the mid-year credit fund receipts and disbursements of the

agricultural banks, namely the granting of loans first, before taking in deposits.

Loans for Procurement of Farm Products (+ -)	Unit: 100 million yuan		
	Retrieval of Rural Credit (+ -)	Differential Specified Between Credit Retrieval and Issue of Procurement Funds	
1986, Jun-Aug	+35	-4.0	39.0
1986, Sep-Dec	+157	-35	192.0
1987, Jun-Aug	+44	+7.0	37.0
1987, Sep-Dec	+21	+172.0	49.0
1988, Jun-Aug	+30	-52.0	82.0

Note: The rural credit retrievals in the above table are the deposit-loan differentials after deducting loans for the procurement of farm products, retrievals being marked + and investments marked -.

The figures in these tables show that at the two high points of procurement of farm products (i.e. heights of procurement of summer grain and of autumn-winter farm products), there is a time differential between the retrieval of credits and the issue of funds for the procurement of farm products. The issue of funds for the procurement of farm products comes first, and the retrieval of loans comes later. This creates a fund gap in mid-year between disbursements that come first and the later return of funds, which has an adverse effect on the capability of the agricultural banks to balance receipts and expenditures of loan funds, a situation that exercises a strong pressure on banks at every level. The fund gap being:

1986, Jun-Aug	3.9 billion yuan
Sep-Dec	19.2 billion yuan
1987, Jun-Aug	3.7 billion yuan
Sept-Dec	4.9 billion yuan
1988, Jun-Aug	8.2 billion yuan

In other words, because the issue of funds for the procurement of farm products creates a mid-year loan fund gap by first requiring funds to be paid out and recovering them later, a gap which during the summer grain procurement period is as large as around 4 billion yuan, and at the peak season for the procurement of farm products around 10 to 15 billion yuan. This peculiarity has an extremely important and decisive impact on the arrangement of loan funds by the agricultural banks.

I. We may say that under the current system, due to the peculiarities in the operation of procurement funds, the Agricultural Bank alone cannot control the supply of funds for the procurement of farm products, but will have to take out temporary loans for a part of the requirements from the People's Bank. The ups and downs in loans for the procurement of farm products coincides approximately with the increases or decreases

of temporary borrowing by the Agricultural Bank from the People's Bank. When entering the high season for procurement of farm products, borrowing from the People's Bank largely increases. In the last 2 years, the percentage of temporarily borrowed funds from the People's Bank within the increased loans for procurement of farm products was 2.5 percent for July-December of 1986, and went up to 25.2 percent in 1987. Conversely, the decline in funds for procurement of farm products in the first halves of these years was due to a large extent to withdrawals by the credit unions, and then also due to repayment of temporary loans owed to the People's Bank. The proportion of repayments to the People's Bank within the decline of funds available for loans to procure farm products was:

First half of 1986	22 percent
First half of 1987	11.3 percent
First half of 1988	9.6 percent

The proportion is declining year after year, while the proportion of payments to credit unions withdrawing their deposits rises gradually year after year in relation to funds available for loans for the procurement of farm products.

At the height of the procurement seasons, there arise some problems in the way the Agricultural Bank borrows funds from the People's Bank, and the contradiction is particularly conspicuous in the grain producing regions when grain is procured and stored in large quantities. For instance, in Baicheng Prefecture of Jilin Province, the amount of grain produced, procurements of grain, and grain taken into storage in 1987 were 3.79, 1.31, and 1.74 million tons respectively, and the loans for the procurement of farm products increased to 1.08 billion yuan. In the above-stated four categories, there were increases compared to the large 1984 harvest of 46.9 percent, 77 percent, 3.4 times, and 2.9 times, respectively. Even though in a comparison of 1987 with 1984, the balance of deposits in the Agricultural Bank had increased by 342.74 million yuan, this increase was only 54.2 percent of the increases in procurement loans. In other words, even if the Agricultural Bank used all deposit money for the procurement of farm products, it would be able to satisfy only half of the loan requirements. Add to it that out of the deposits, reserve funds will have to be transmitted to higher authority, various bonds will have to be bought, etc., the funds available for procurement loans will then be not even half of what is required. Taking 1988 as example, the increase of funds of the Agricultural Bank according to plan was 133.39 million yuan, deduct 17.341 million for reserve fund (the rate of reserves is 13 percent), purchase of 15.33 million yuan of treasury bonds, capital construction bonds, etc., the maximum of available deposits will then only be 100.197 million yuan, but the increase in procurement loans will at least be 382.8 million yuan. The portion available in the deposits can at most satisfy 26.3 percent

of all loan requirements, it is therefore impossible for the regional banks to achieve by themselves a balance between deposits and loans.

The only way to fill the gap in funds is to borrow from the People's Bank, from higher level banks, and from fraternal banks, but this can only be short-term borrowing, while the storage of farm products requires tying up funds for longer periods of time, a situation that makes it impossible for these temporary and short-term loan funds to be recovered in good time. In 1988, because temporary loans could not be repaid to the People's Bank on due date, the regional agricultural banks of the whole region had to pay 3.4 million yuan in penalty interest to the People's Bank, and another 1.4 million yuan penalty interest because they could not repay short-term loans to the provincial Agricultural Bank on due date. Both items together amounted to 4.8 million yuan.

Temporary loans taken out by the agricultural banks from the People's Bank or other specialized banks are generally short term, as short as for 1 or 2 days, and at most for half a month, which contrasts very distinctly with the 3 to 4 months of grain storage, and when overdue loans are charged penalty interest at 5, 10, or 20 per ten thousand, depending on the length of time involved. This places the operations of the agricultural banks in an extremely passive position and increases the difficulty to raise the necessary procurement funds.

J. In the last two years, reasons for the shortage of funds for the procurement of farm products have become rather complex, but one factor deserves our careful attention, namely the proposal put forth in the banking reform of separating plan from actually available capital funds and carrying out management along two lines. The People's Bank shall make a comprehensively balanced loan plan and approve the scope of loans to be granted by specialized banks, and the specialized banks shall themselves solve the problem of finding fund sources through organizing deposits or other responsible undertakings. In this way, as far as the procurement funds are concerned, which are seasonable in nature and demanded in large amounts, they will frequently be apt to create disparity between plan and available capital funds. Here there are problems of managing loan substance and duration of loans by agricultural banks and using the loan capital in off seasons for other industries, which may lead to inability to return the capital to its original purpose when the procurement season arrives, and may also leave the agricultural banks themselves in powerless positions. For instance, in the highly competitive environment of the banking circles, the agricultural banks as economic entities must consider economic efficiency, and cannot allow the procurement funds to lie idle during slack seasons. At the same time, not using these funds will run counter to the operational principle inherent in capital. But once utilized in some way, it may become difficult, due to the low level of current loan management or due to other causes, to avoid that part of the capital that will not in good time return to its original

purpose, resulting in bad consequences during the peak procurement season. Besides, the People's Bank is concerned only with the plan for managing procurement funds, and will loan funds only when the agricultural banks really have no money to procure farm products. Under the present conditions in China, when efforts are made to "improve the economic environment," when its money market is tight, and when efforts are made to check the currency inflation, the agricultural banks and credit unions encounter many difficulties in trying to obtain funds, and that aggravates the strained conditions in the procurement of farm products in 1988.

First, rising commodity prices, panic buying, and runs on the banks defeat all efforts of the agricultural banks and credit unions to increase their deposits. From January to October of 1988, the various deposits in agricultural banks, leaving out Shanghai, Guangdong, Shenzhen, and Hainan, increased 11.4 billion yuan less than during the same period of 1987, and the decline in October alone was 9.5 billion. The main reason is that peasant savings deposits in credit unions increased 10.7 billion yuan less than in 1987, so that deposits by credit unions in the agricultural banks were also 7.3 billion yuan less than during the same period in 1987.

Second, agricultural banks subscribed in 1988 to 3.2 billion yuan of state construction bonds and treasury bonds, and from September on, the reserve funds to be deposited by the agricultural banks with the People's Bank were raised by one percentage point, and 3.1 billion yuan more had to be deposited. The above-stated factors reduced the source of funds for the procurement of farm products by 6.3 billion yuan.

Besides, some problems have arisen between the agricultural banks and the People's Bank in the matter of plan norms as related to available funds; these problems have to be resolved and must not be allowed to drag on. After tightening credit in 1988, the fund contradictions that had grown up over the years came to the fore in 1988. In 1985, because the increase of farm products in storage at the end of the year exceeded the increased funds provided in the plan by over 7.5 billion yuan, the exceeding portion should be made up by the People's Bank by a long-term loan, but was actually made up only by means of a short-term loan. By 1986 and 1987, when the procured products in storage had diminished, the People's Bank made a concerted effort to deduct and call in a corresponding amount of temporary loans, and thereby also reduced the emergency capital that could have been used for procurements.

The lack of temporary revolving funds. For years, funds for the procurement of farm products in the fourth quarter had come to 70 percent from deposits of credit unions in agricultural banks, and this portion of funds had again mainly relied on money which the peasants realized from the sale of their products. Since the disbursement of loan funds for the procurement of farm products predates any savings deposits or repayment of

credits by the peasants, there is objectively a seasonal gap at the agricultural banks in their receipts and expenditure of loan, as they are required to loan first and receive deposits later. In the past, the People's Bank agreed to balance out the mid-year differential in the revolving fund, but now under the credit fund management conditions in force, there is no such approval for this part of the revolving funds forthcoming.

K. Under the current system, the fund for the procurement of farm products comprises the three mutually related elements of plan, capital, and cash; they constitute together the procurement fund as a whole. None of the three elements may be absent when the peasants sell their grain, to ensure that they will get ready cash against ready goods. Even after the relations between agricultural banks and the People's Bank and the treasury have been straightened out, it will still be necessary to educate the peasants to use the means of bank settlements and thereby reduce the amount of circulating cash.

On selling their grain, peasants will generally ask for cash, and there are several reasons for this: (1) Since commodity prices were on the rise in recent years, and currency inflation has set in, saving money means suffering losses, so that the best way is to quickly exchange any cash in hand for goods, to preserve a certain value. (2) Lack of banking knowledge, and the idea that in commodity exchanges only cash is truly money, and all other means of bank settlements are merely unsecured IOU's. For instance, in 1988 during the procurement of farm products, peasants in many regions refused to accept norm cross checks signed by the Agricultural Bank. (3) By traditional custom and by cultural inclination, peasants prefer to have cash in hand. Because of the widespread insistence of peasants that grain be paid in cash, there is this great pressure on society to greatly increase the volume of currency and to maintain that volume, a circumstance which has a negative effect on efforts to alleviate the stringency of procurement funds and to control the issue of currency. Besides, even if there is complete harmony between plan intentions and available funds, there is still much work involved in getting the money out, shipping it, and protecting it, before it is safely transferred into the hands of the peasants. It shows that propagating general banking knowledge among the peasants, promoting the means of bank settlements, energetically encouraging the immediate transfer of grain sales returns to savings deposits, is all important work necessary to alleviate the shortage of procurement funds (cash).

### III. Countermeasures and Alternatives

L. Guaranteeing the supply of funds for the procurement of farm products in China is not only a basic task for the financial departments, but is also a matter that has a bearing on production and marketing of all grain, cotton, and edible oils, as also on the enthusiasm of the peasants and the stability and unity of the nation. It must therefore be one of China's fundamental policies to actively

raise the necessary funds to ensure the procurement of farm products. This was done in the past, and we must persist in doing so in future for a long time; there must be no change. This is a basic necessity, which is of greatest significance in stimulating enthusiasm among the peasants, in encouraging grain production to rise to a new level, also to enliven the economy, and to stabilize the political situation.

M. To provide a solution for China's problem of supplying sufficient funds for the procurement of farm products, there are two trains of thought. One is to deepen the reform under the current system, straighten out the relations between the various interest groups, and open up more channels that would provide funds. The Agricultural Bank, the People's Bank, the Industrial and Commercial Bank, grain enterprises, financial circles, the government, credit unions, and peasants must all coordinate their efforts, clarify each sector's specific rights and duties, and in a common effort resolve the problem of supplying sufficient funds for procurements. The essence of the required action would be the reform of the banking and grain purchasing and marketing system, straightening out the various economic interests, to form one complete system that would tally with the overall reform in the rural areas. The other train of thought is to place the matter of providing sufficient funds for the procurement of farm products under the management of one particular authorized department or have it managed as one special affair, to change the present situation of multiple management, and to clearly define the responsibilities and powers of the unit in charge with regard to plan formulation, provision of funds, and cash allocations. It should also be possible to institute special control by the People's Bank over the funds of specialized banks for the procurement of farm products.

N. The issue of currency for the procurement of farm products, unlike loans for capital construction or for technological transformation, is an investment of a commodity nature, money being immediately exchanged for goods, goods taken in as soon as money is being disbursed; there will never be an imbalance between currency and commodities involved. Under conditions of active demand, the country will have no reason to be anxious about consequences. The problem is with the various departments and units participating in the procurement of farm products. They will start out from their own economic interests, and will always come up with this or that rule and demand, rendering the problem ever more complex. In the knowledge of our present problem of shortage of procurement funds, it is necessary to fully consider this point. Starting out from the developmental strategy of the second stage in China's rural reform, the reform of the banking and grain procurement and marketing system must be carried out as a corresponding pursuit. It is necessary to reform the present confused situation where management is exercised by several organs, and it is necessary to select as quickly as possible a system of supplying funds for the procurement of farm

products that suits the national conditions of China. The starting point in this new system is not the selfish economic benefits of the Agricultural Bank, the Industrial and Commercial Bank, or of any other department or unit, but rather constituted by the basic criterion of ensuring procurement funds, promoting agricultural development, and stimulating peasant enthusiasm. This is the only way by which we can stimulate the enthusiasm of every department and unit for raising procurement funds.

O. The solution to China's problem of finding sufficient funds for the procurement of farm products must be sought only in a deepening of the reform; and, in addition, attention must be directed to the overall coordination of actions by the many departments involved and of the many forms adopted. In the 10 years of reform, all the various departments, such as banking, grain, and public finance department, have formed their own behavioral characteristics and spheres of interest. At the time of shifting from the old to the new system, not all of these characteristics and spheres appear rational anymore, and some even have a negative effect on the reform. But if we want to change the whole lot, there is a series of problems that will be difficult to solve. For instance, the grain system units above or below county rank have established their separate accounts with the Agriculture Bank and the Industrial and Commercial Bank, and this has resulted in some malpractices in the settlement of accounts and management of procurement funds, but this has been a historical development and, on the premise that the specialized banks are to be run as enterprises, neither the Agricultural Bank nor the Industrial and Commercial Bank is willing to drop grain enterprises that have established accounts with them. Another example is that due to stringency of state finances, the state has been in arrears with payment of subsidies for markups in grain prices, etc. To solve these problems, it is therefore necessary to rely only on the one way of deepening the reform. A reform of China's system of providing funds for the procurement of farm products will depend on whether it will be possible in the near future to adopt the following eight measures:

1. The People's Bank must check and approve as in accordance with actual conditions a plan for loans intended by the specialized banks for the procurement of farm products. When the People's Bank and the head offices of the specialized banks shall transmit to lower levels the plan for granting loans, it must conform with the agricultural production plan, the volume of production, and the percentage of marketable products of the districts involved. Consideration must also be given to the price factor, and a comprehensive plan should be computed and transmitted to lower levels of a plan for the procurement of farm products. Otherwise, if the plan, transmitted to lower levels, provides too large an amount for procurement loans, it will squeeze out loans for other projects and may have an adverse effect on the overall development of the rural economy.

2. Should a specialized bank absorb more deposits than provided in the plan, an appropriate portion should be used for the procurement of farm products. Out of the deposits taken in in excess of plan, 30 percent should be used for purchases of farm products in excess of plan, and 70 percent should be allocated for other loans by the specialized bank. This will stimulate the enthusiasm of grassroots branches of specialized banks to work to obtain more deposits. More deposits can, on the one hand, reduce the gap in procurement funds, and, on the other hand, promote development of the rural economy, and, more importantly, resolve the problem of the grassroots branches of specialized banks of having to burden the People's Bank with the task of making good the full amount of the hardcore gap in procurement funds.

3. Activate more channels for the supply of procurement funds. Funds for the procurement of farm products must be taken care of by the People's Bank, in accordance with the excess in storage at the beginning of the year, and anything that is reserved on behalf of the state shall be taken care of by the financial organs, thus activating channels for the supply of procurement funds according to their nature, in order to ensure prompt supply of funds for the procurement of farm products and to avoid the dilemma that everybody is in charge while actually nobody takes charge, a situation which would have an adverse effect on procurements.

4. The People's Bank should increase long-term loans (rather than temporary loans) to specialized banks for the procurement of farm products. Otherwise, the specialized banks will find it impossible to balance fund operations in connection with their support of agricultural production and the procurement of farm products, and it would easily lead to a widening of the gap between requirements and available funds.

5. The Agricultural Bank and the Industrial and Commercial Bank should within their systems try to arrive at a proper proportion between plan norms and available funds, and apply it to the procurement of farm products. They should fully utilize time differentials, regional differences, and differences in products concerned, to regulate procurement fund surpluses and shortages between the different localities.

6. Fiscal subsidies for markup on grain prices may be allocated as a one-time measure directly to the basic-level procurement units, and no intermediary link should retain such funds for their own use, so as to make sure that the peasants will really get the benefit when they sell their grain. Liaoning Province has tried out this method of payments in 1988 and has had good results. In short, a connection should be established as quickly as possible directly to the peasants for channelling to them payment by the fiscal authorities of the markup on grain prices.

7. Accelerate the reform of the grain enterprises, straighten out their credit standing with the specialized banks. The way grain enterprises utilize their funds deserves to be studied. Grain enterprises not only build houses and buy motorcars, but in recent years have also gone into the metal business, begun running department stores, and engaged in other commercial activities. However, when they ran out of cash at procurement season, they held out their hands to the banks, thus actually "eating from the big pot" of state finance, which is bound to aggravate the shortage of procurement funds. Obviously, a deepening of the reform as to the internal workings of grain enterprises is one link that must not be neglected.

8. Fully develop the guidance and appeal capabilities of the governments in all localities by setting up and strengthening guidance and control teams to check on funds for the procurement of farm products during the high season of procurements. Accumulate all available funds and to the largest extent satisfy procurement needs; strengthen control of allocation and transfer of funds, marketing, and procurement prices of farm products; supervise and urge on relevant departments in their implementation of the allocation and marketing plan for farm products; accelerate the turnaround of procurement funds; supervise and urge on relevant departments and units to prepare in good time sufficient funds for the payment of markups on farm product prices and for payment of charges in connection with the transfer, marketing, and storing of farm products.

P. According to the actual conditions in China, and in the long-range view, funds for the procurement of farm products should be managed in a specialized way and in a more flexible way, to ensure that operation of procurement funds become more stabilized and normalized.

Grain loans should be managed by one enterprise, and the entire grain system should be one account of the Agricultural Bank. This would have the advantages of: First, stability of procurement funds and best incorporation of these loans within the overall agricultural production and procurement system. Second, it would clear the way for the settlement of accounts and remittances in connection with all procurement funds, fiscal subsidies for markups in prices, and grain sales receipts. This would greatly reduce the mutual deprivation of funds and wrangling over funds between specialized banks. Third, it would facilitate complete control of all fund operations in the grain system by the Agricultural Bank, and also raise efficiency in fund utilization. The Agricultural Bank, furthermore, has a service network that extends to all large and medium-sized cities and all the numerous villages of the land, giving it every capability to perfectly satisfy the trade needs of the entire grain system. Otherwise, if the procurement funds were handled by the Agricultural Bank and the Industrial and Commercial Bank, much conflict would arise in operations, fund allocations for grain procurements would not

be promptly settled, there would be mutual delays in loan repayments, and it would hinder a rapid turnover of funds.

If the Industrial and Commercial Bank firmly refuses to allow grain enterprises to establish their accounts with the Agricultural Bank, it could also be arranged for the People's Bank to handle this matter as one of its special departments, when the basic train of thought would be: The People's Bank to institute sole control over the farm product procurement funds of the specialized banks. All funds needed for the procurement of farm products are to be supplied by the People's Bank, and whenever farm product procurement loans are repaid, the specialized banks must remit such payments in full to the People's Bank. Loans by the People's Bank to specialized banks must be attuned to the times when money is needed for farm products. Whenever the specialized banks receive loan repayments from enterprises, the People's Bank shall in turn be paid back for its loans to the specialized banks. The People's Bank must not recall its loans to the specialized banks at a time when the specialized banks have not yet received back their loans to the enterprises, which otherwise would create an incongruous situation. Before instituting the sole management system, the Agricultural Bank may use any loans for the procurement of farm products to issue loans for spring cultivation. After instituting the system of sole management of farm product procurement funds, the People's Bank shall support the Agricultural Bank with temporary loans when the latter intends to grant spring cultivation loans, and terms of such loans shall be reasonably determined to conform to agricultural cultivation cycles. Any repayment of agricultural loans received by the Agricultural Bank must be remitted to the People's Bank.

Of course, if funds for the procurement of farm products are under the sole unified control of the People's Bank, there may still be some specific problems, but these problems will not have an adverse effect on the overall rural reform and banking reform, and can be gradually resolved in actual practice.

#### **Agricultural Problems, Relationship Between Peasants, Government** 40060621 Beijing JINGJI ZHOUBAO in Chinese 21 May 89 p 2

[Article by Hou Zhemin 0186 3181 3787 and Zhang Qiguang 1728 0366 0342: "Peasants—Government—Agricultural Problems"]

[Text] Editor's Note: Agriculture is in another crisis! This is now no longer merely a matter of shortages restricting economic growth, but a much more important matter directly threatening social and political stability. It appears, therefore, that it is now of the greatest importance and urgency to gain a true understanding of the stagnation and regression in agriculture and to find a way out of the difficulties. The present article is different from other studies of the rural problem in that it focuses in its

**analysis of the rural problem on the relationship between peasants and the government, trying through an analysis of the conditions of rural society and government policy to discover the root cause of the agricultural problems, and to arrive at solutions to the problems.**

### **I. Condition of the Rural Society**

The change in the system of rural organization has deprived the government of its organizational basis to exercise direct control over the peasants, as it now directly faces millions of producers pursuing their own personal interests.

#### **A. A New Understanding of the Rural Reform: A Transformation of the System**

Prior to 1978, the government strictly controlled the rural areas through the system of people's communes, and this was a compulsory control of all members of the rural society. Under the system of people's communes, every peasant had to join unconditionally the strict organizational system of production teams, production brigades, and communes. The collective organizations controlled almost exclusively all resources and held the power of distribution of all resources. Under these conditions, possession of any resource by any peasant could come about only through a distribution by the collective organization. The peasants had lost their right to decide themselves all matters of production management, and had also lost their personal motivation to pursue independent interests. Peasants were compelled to serve their various collective organizations, i.e., ultimately serve the government's objectives of production and industrialization. The huge scissors differential between industrial and rural products under the system of compulsory procurement of grain by the state was the foundation which allowed smooth transfer to the urban areas of large amounts of grain, raw materials for light industry, and initial capital for industrialization. The relationship between the government and the peasants was one of compulsory unequal exchanges.

The initial motivation for the rural reform, with its core element of the land-related responsibility system, was to resolve the problem of stimulating the production enthusiasm of the peasants. However, in the wake of the gradual dissolution of the people's commune system, the significance of the reform grew beyond the limited target of resolving the problem of peasant enthusiasm and assumed a more profound social content. Its most deep-rooted significance was loosening the peasants' organizational attachment to the people's communes and resuming their status of independent producers, with the right to choose themselves what and how to produce, and with the initial freedom to decide on what trade to follow and whether to change their status. The rural reform was essentially a transformation of the organizational system, and it was due to this transformation of the system that important changes occurred for the peasants and in the relationship between peasants and government.

### **B. Present Condition of the Peasants**

After having undergone the transformation of the rural system, the peasants have become much more like principal subjects with the value concepts and ways of behavior of the market economy.

1. Peasants have distinctly independent interests. Interests of the peasants are no longer subordinated to any organization. Their interests are now very clearly defined, namely as a unit consisting of family members related by blood, established on the foundation of one family and one household, each by and for itself.
2. Peasants have become principal subjects of production management, with full decisionmaking powers in matters of production. Although peasants do not yet have ultimate land ownership rights, the present conditions allow them free use of the land.
3. Precisely because peasants now have their own independent interests and the right to decide for themselves all matters of production, their choices of action will naturally be rational ones. In production management and investment of capital, peasants will primarily consider economic efficiency of any capital and labor they intend to invest and will select for production such items as will yield the highest net returns among all production and investment alternatives.

Another consequence of the transformation of the rural system is that the government has lost its organizational basis for its compulsory control over the peasants, and that the government now faces directly millions of producers who pursue their own interests. The government is thereby left only with the possibility of guiding the interests of the peasants toward conformity with governmental objectives. In other words, the relation between the two has in actual fact become one of a business transaction. Government control over peasants has, therefore, become correspondingly weaker, and particularly at times when the government is unable to provide in exchange the resources of which the peasants are in need, the authority of the government is bound to be further weakened.

The actual conditions of the rural society are our starting point in the exploration of the present stagnation and fluctuation in agricultural developments.

### **II. The Root Cause of the Agricultural Problem**

The deeper reason for the stagnation in agriculture is the government's slanted method of distribution of urban-rural benefits after 1985, when the conditions of state finance had become strained.

**A. The Direct Reason for Stagnation in Agriculture:  
Reduction of Investments in Agriculture**

The present problem in agriculture is primarily the decline year after year in the production of grain, cotton, and edible oil, and the direct reason for this is the reduction of investments in the production of grain and edible oil.

Under the traditional rural system, the government had been the principal decisionmaking and managing element in agricultural production, and if investments in agriculture were reduced, it could only have been government investments that had been reduced. But after the very thorough reforms in the rural areas had removed the restrictions of the former system, the peasants had become the sole managers of agricultural production. Although that part of investment by the government, especially by local governments, that went into rural infrastructure has in recent years shown a continuously declining tendency, this could not be the root cause for the abrupt stagnation in agricultural production after 1984. The present problem in agriculture must be ascribed to the reduced investment in grain and oil crop production by the peasants.

As mentioned, one consequence of the transformation of the rural system was that the peasants had become managers of agricultural production with their own independent interests, acting as managers with a great sense of economic rationality. In the selection of crops to grow, they will of course consider the relation of investment to yield, i.e., investment efficiency, and it is precisely in this respect that the production of grain, cotton, and edible oil is extremely unfavorable.

Examining the grain prices, we see that in 1984 when the "crisis of storage capacity" erupted, the market price of grain dropped by over 10 percent as compared with 1983, and in some districts grain prices dropped even below the state-fixed state procurement prices. In 1985 the state again changed the original "reversed three-seven proportioned composite prices," fixed in contracts under the policy of "prices for production in excess of plan norms." This had the effect of reducing by over 10 percent prices also for this portion of the grain production that was bought up by the state. The decline in market prices and government procurement prices had reduced returns from grain production while the amount of investment had to be the same as before. This naturally induced peasants to make the rational decision of reducing grain production and to turn to the cultivation of other crops (such as the so-called commercial crops), which yielded comparatively higher returns.

Examining the investment in grain production, we see: (1) In the township enterprises developed at favorable locations, very distinct differences became apparent between the returns from industrial as against agricultural undertakings, as the opportunity costs of per unit

investments of agricultural labor increased greatly. Production more and more came to rely on investments in industrial products, such as pesticides, chemical fertilizer, and diesel oil, and prices for these industrial products have risen steeply. This has caused investment costs to rise tremendously within a short period of time and in another respect resulted in the decline of the investment efficiency of grain production.

**B. The Deeper Reason for the Agricultural Problem:  
Government Policies**

In fact, it would be much easier a problem to solve if low profits, as between investment and yield of grain production, were the only reason for the stagnation in agriculture. It would merely require large increases in the grain prices to truly reflect the grain shortage and compensate for the higher costs of investment items, thus causing grain production to maintain a comparatively higher profit level, which would then also stimulate the enthusiasm of the peasants for grain production. However, it is precisely in the inability to effect a substantial increase in the fixed procurement prices for grain that we see revealed the government's choice of policy concerning the urban-rural distribution of benefits, and this latter circumstance is precisely the root cause for the present problem in agriculture.

Prior to 1979, the state's policy of enforcing a state monopoly of purchasing and marketing was in essence effecting the government's function of distributing the national income through the control of both grain purchases and grain marketing and regulating the redistribution of benefits between urban and rural areas. As China's economic development is extremely backward and income of the urban and rural population is very low, the government gained its initial capital accumulation for industrialization by means of this regulation of the redistribution. Through the widely opened scissors between industrial and agricultural products, the government continuously channeled surplus value created by the peasants to the cities to be used in support of the government's choice of target, namely industrialization. In fact, the capital accumulation needed for industrialization was at the expense of the peasants. The change, since 1979, in the government's policy of the state monopoly in buying and selling consisted mainly in an increase in the procurement prices for farm products and a reduction in the volume of state procurements. It changed from the past system which had the peasants alone bear the costs of supplying cheap grain for the urban population and supplying cheap raw materials for the light industry, to having these costs borne jointly by the state and the peasants. The government assumed its part of the costs by a form of "hidden subsidies" in the low-price marketing. The way the peasants assumed their part of the costs was by "hidden taxation," in excess of the agricultural tax, in the fixed grain sales quotas. Government subsidies alone for grain and edible oil amounted to 3.2 billion yuan in 1976, which steeply

rose to 29 billion yuan in 1984. In other words, the government alleviated the confrontational relation between urban and rural areas by fiscal subsidies.

The precondition for having government and peasants jointly assume the risk is that the government's revenue will continue to increase, while if at any time the government's financial resources will no longer permit the assumption of these costs, there will arise a problem of transferring the state's assumed risks to another party: Either push down the grain procurement prices, revert to the traditional method, and transfer all risks to the peasants, or to increase the sales prices of grain and shift the risk to the urban consumers. Apparently, from 1985 on, with the increased stringency in state finances, the government chose the first alternative. However, now that the basis of the traditional system has been lost, and the relations between peasants and government have changed, the choice of this alternative has evoked various passive and active acts of resistance by the peasants, and the reduced investments in grain production are concrete expressions of precisely this resistance. It is for this reason that we believe that it is the choice of policy by the government that is the root cause for the present stagnation in agriculture.

### C. The Serious Character of the Agricultural Problem: Possibility of Social Unrest

Under the traditional system, the consequence of stagnation in agriculture would merely have been a retardation of economic growth. But now that the system of the people's communes has been transformed, and that the peasants have become a stratum of Chinese society with their own independent interests, the relation of this stratum with the government is no more one in which the latter can forcibly deprive the former of its interests, but has become a relation of transactions based on mutual benefit and equality. In the grain issue, this relationship is concentratedly reflected in the following facts: When the government tried to shift the risk on to the peasants, the peasants reduced their investment in grain and kept back grain in storage, to eliminate the government pressure on them, and, furthermore, gave effect to their resistance by a very substantial reduction in the volume of grain production, a measure that jeopardized economic development. In 1988 grain production further declined, and had resulted in a state of mutual confrontation: To ensure stability in the urban society, the government had to make sure that a certain volume of grain is procured, while the huge burden on public finance would not allow raising procurement prices. In the course of procurements, the expedient of signing IOUs was resorted to, because the agricultural banks and credit unions were unable to pay cash. When the peasants became unwilling to turn over grain, governments in many places were compelled to employ administrative measures to forcibly requisition grain. This directly led to distrust of the peasants in the government, and even to hostile confrontations, which

sharpened the contradictions between peasants and government. In 1988 it already came to peasant demonstrations in some places, and in some places peasants killed and wounded "double taxation" personnel. This indicates sharpening contradiction between peasants and government, and a possibility of disturbances in the rural society.

Even more important is the fact that if the present problem cannot be solved within a short time, the peasants will further reduce their investments in grain, which is bound to further adversely affect grain production and supplies of grain to the urban population, and to create instability throughout the entire society. It is truly as one scholar has stated: During the natural calamities of the 1960's, those who starved were the villagers, but if a new grain crisis should occur, the first to go hungry will be the people in the cities. This, unfortunately, is not mere alarmist talk. What is involved here is a change in the nature of the agricultural problem, now that the relationship between peasants and government has changed. The agricultural problem is indeed affecting social stability and the stability of political power.

### III. Alternatives in the Agricultural Issue

Restructuring urban-rural relations, changing the present state of affairs in which the risk is borne by peasants and government, to a state where it is jointly borne by peasants, government, and urban consumers. The concrete method would be to have purchases and sales of grain transferred to the market place.

On the basis of the above understanding, we believe that it is no more possible to solve the present agricultural problem with traditional methods, that is by stopping economic growth, adjusting proportionate relations, and by increasing investments in agriculture as a means to solve the problem of stagnation in agriculture. Since a change has occurred in the principal subject of agricultural production, and the government is no longer the one who finally decides on agricultural production, the effectiveness of government investment in agriculture is extremely doubtful. First of all, government investments in the agricultural infrastructure is not directed against the root causes of the present agricultural problem. Secondly, as far as increasing agricultural loans is concerned, they will not eliminate the choice of the peasants in the crops they will want to produce. Increases in government investments are merely improvements in the environment of agricultural production, and will not at all enhance the enthusiasm of the peasants for growing grain. If there are no adequate economic returns from growing grain, while the rural areas have other alternatives, the peasants will not take a true interest in growing grain.

The government is, therefore, actually facing the following alternatives in the agricultural problem:

**1. Without hesitating because of the worsening state of public finances, to substantially raise grain sales prices, and, furthermore, effectively restrain price increases for industrial products for agricultural use, thus mitigating the contradictions with the peasantry, and stimulating enthusiasm among the peasants for growing grain.** However, the direct consequence of this choice is a sharp deterioration of the government's financial situation. Even if these measures can be implemented, it may not be possible to keep them up for long due to the wide range of financial involvement required. At the same time, it is also extremely difficult at the present stage of urban reform to stop price rises for industrial products for agricultural use.

**2. Without hesitating because of the possible aggravation of conflicts with the peasants, to use administrative measures to compel the peasants to increase acreage planted to grain and to forcibly requisition it at low prices.** The price that would in future have to be paid for this alternative will be extremely high. Since the system of people's communes has disintegrated, the government does not possess anymore the organizational capability to enforce coercive controls over the peasants. Even if it were possible to "seize all five large groups together," it would be difficult to achieve the anticipated effect, but may on the contrary intensify the deteriorating contradictions between the peasants and the government, and lead to disturbances in the rural society.

**3. To restructure the urban-rural relations in Chinese society, establish a grain market with involvement of government policy, establish the urban-rural relationship on a basis of equal exchanges.** In actual fact, it means changing the state of affairs in which the risk is borne by peasants and government to a state where the risk is jointly borne by peasants, government, and urban consumers. The specific method would be: Using the agricultural tax (the overt tax) to replace the method of procurements at low prices, transferring the tasks of grain purchases and sales to a market place, and letting the market regulate consumption and production of grain, the government to exercise control over the market, and to assume responsibility for partial investments in large-scale water conservancy and other undertakings and investments in technological research concerning soil improvement and improved seed varieties, furthermore, instituting subsidies to low-income urban population. Of course, adjustments are also due in the rate of taxation of grain and commercial crops, to gradually increase the comparative profits from grain production.

Supplementary to the reform of urban-rural relations would be the establishment of an urban social security system, furthermore, a reform of the irrational welfare system of the cities, starting from the time grain is being received. The difficulty and risks of these reforms is therefore with the cities, and the reforms may cause dissatisfaction among the urban consumers. However, it is our opinion that compared with the above-mentioned other two alternatives, the risk of this reform is possibly

the smallest, based on the fact that: (1) the double-track system for marketing grain in recent years has shown that the urban population has a considerable measure of tolerance; (2) Expenditure for grain accounts for a comparatively small proportion of consumption expenditure of the urban population. Decontrol of grain prices would, therefore, not have too much of a negative impact on most of the urban population.

The reason why we are more inclined toward this alternative is that it will create an excellent mechanism through a linkage of production and consumption, which on the one hand can create a mechanism for encouragement of grain production, and can also effectively restrain overheated demand for grain consumption, even man-made wastage. It would be helpful in overcoming short-term grain crises, create the capacity for long-range development, and would, furthermore, lighten irrational burdens on the government's finances since the purchasing and marketing policy was changed. At the same time, reform of the urban-rural relation would truly give expression of the impetus that rural reform is having on urban reform.

#### **Good Harvest of Spring Silkworm Cocoons Expected**

*OW2906140289 Beijing XINHUA in English  
1358 GMT 28 Jun 89*

[Text] Beijing, June 28 (XINHUA)—China is expected to harvest 183,000 tons of spring silkworm cocoons this year, up 12 percent over last year.

The state purchase may reach 164,500 tons, 17 percent more than the figure for last year.

According to statistics from leading cocoon production provinces, Zhejiang has purchased 40,000 tons, 14 percent more than last year; Jiangsu, 43,500 tons, up 30 percent; Sichuan, 47,500 tons, up 13 percent; Anhui, 7,000 tons, up 27 percent; and Shandong, 4,000 tons, up 33 percent.

Now, many areas have fulfilled their purchase targets.

#### **Anhui Fertilizer Plants**

*40060654c Hefei ANHUI RIBAO in Chinese  
5 Jun 89 p 1*

[Summary] At present, Anhui Province has 63 small nitrogenous fertilizer plants, and annual output is 2 million tons, which accounts for over 70 percent of the fertilizer output in Anhui.

#### **Anhui Wheat Area**

*40060654b Hefei ANHUI RIBAO in Chinese  
2 Jun 89 p 1*

[Summary] This year the area sown to wheat in Anhui Province exceeds 33 million mu.

**Beijing Wheat Area**

40060654f Beijing JINGJI CANKAO in Chinese  
30 Jun 89 p 1

[Summary] The area sown to wheat in Beijing is 2.8 million mu.

**Expected Increase in Hainan Summer Rice Harvest**

HK1906140689 Beijing ZHONGGUO XINWEN SHE in Chinese 1015 GMT 15 Jun 89

[Report: "Hainan's Rice Output This Summer Is Expected To Increase by 100 Million Kilograms"]

[Text] Haikou, 15 Jun (ZHONGGUO XINWEN SHE)—Hainan will reap a good rice harvest this summer. According to the agricultural department of the provincial government, the total output of rice this summer in the whole province is expected to reach 633.87 million kilograms or increase by 111.73 kilograms or 21.3 percent over the same period as last year.

An official of the provincial agricultural department said: The main reason for the good summer harvest in the whole province lies in the plentiful rainfall in the spring which resulted in the mitigation of drought. In the whole province, 13 cities and counties got more than 100 millimeters of rainfall. The total water storage in reservoirs throughout the province reached 3.5 billion cubic meters, accounting for 72 percent of the normal water storage. This met the paddy fields' needs for water.

At the same time, the farm land sown with rice in the whole province reached 2.72 million mu, or increased by 310,000 mu over last year. In the whole province, 110,000 mu of waste paddy fields were used again. In the whole province, 220,000 mu was sown with high-quality hybrid rice; and 860,000 mu was built into high-yield fields.

Among other counties, the following will increase rice output by a larger margin: Wenchang will achieve a 63.5 percent increase; Dixian will achieve a 53.3 percent increase; and Qionghai will achieve a 35.5 percent increase.

It is learned that Hainan was often short of grain in the past and had to have 300 million kilograms of rice transferred into this island from other provinces every year. In order to increase grain output, the provincial government has established 49 grain production bases this year, and has increased agricultural investment. It plans to realize grain self-sufficiency in 3 to 5 years.

**Hebei Cotton Area**

40060655a Shijiazhuang HEBEI RIBAO in Chinese  
4 Jun 89 p 1

[Summary] This spring the area sown to cotton in Hebei Province was 11,890,000 mu; during the summer planting season the cotton area will exceed 1,740,000 mu.

**Hunan Agricultural Loans**

40060655e Changsha HUNAN RIBAO in Chinese  
28 May 89 p 2

[Summary] Since last winter, agricultural banks and credit cooperatives in Hunan Province have allocated 87,640,000 yuan in agricultural loans to set up 157 livestock farms, develop 265,000 mu of wasteland, improve 104,300 mu of low-yield fields, add 182,100 mu of grain, and build 87 farm product processing plants.

**Procurement Funds Low in Hunan**

40060655d Changsha HUNAN RIBAO in Chinese  
16 Jun 89 p 1

[Summary] As of the beginning of June, agricultural banks and credit cooperatives in Hunan Province had raised 855 million yuan to purchase summer farm and sideline products. However, Hunan needs 1.655 billion yuan for summer procurement.

**Hunan Sends Rice to Beijing**

40060655c Changsha HUNAN RIBAO in Chinese  
14 Jun 89 p 1

[Summary] On 12 June, Hunan Province sent 50 tons of rice to the Martial Law Department in Beijing.

**Crop Area, Output Increase in Hunan**

40060654a Changsha HUNAN RIBAO in Chinese  
25 Apr 89 p 1

[Summary] This year Hunan Province has sown over 7.5 million mu to rape; and estimated rapeseed output is over 10 million dan, an increase of more than 1 million dan over 1988. The spring grain area exceeded 5.5 million mu; estimated output is 500 million kilograms; and 15 million mu was sown to green manure. The estimated output value of spring crops is 1.5 billion yuan. Last winter, the area sown to crops was 35,440,000 mu, an increase of 2,740,000 mu over 1987. The area sown to hybrid rape was 500,000 mu.

**Hunan Transfers Hogs to Shenzhen**

40060655b Changsha HUNAN RIBAO in Chinese  
12 Jun 89 p 1

[Summary] On 9 June, Hunan Province transported 2,000 hogs by rail to Shenzhen.

**Jiangsu Grain Area**

40060654d Nanjing XINHUA RIBAO in Chinese  
28 May 89 p 1

[Summary] This year the summer grain area in Jiangsu Province is 44 million mu. The area sown to rape is 7.3 million mu.

**Tianjin Wheat Output**

40060654e Beijing JINGJI CANKAO in Chinese  
30 Jun 89 p 1

[Summary] Tianjin has sown over 2,060,000 mu to wheat. The estimated per mu yield and gross output are 270 kilograms and 5.5 billion kilograms, increases of 5 percent and 3 percent over 1988. From winter 1988 to this spring, Tianjin peasants have raised over 39 million yuan to build water conservancy projects, and have expanded and improved over 2.5 million mu of irrigated area, and improved over 2,910,000 mu of waterlogged area.

**Xinjiang Expects Bumper Year in Livestock**

Breeding  
HK2106085389 Beijing RENMIN RIBAO in Chinese  
16 Jun 89 p 4

[Xinhua Report by Reporter Lan Xueyi 5663 1331 3015:  
"Xinjiang Is Sure to Have Bumper Harvest in Livestock Breeding This Year"]

[Text] Urumqi, 15 Jun (XINHUA)—Xinjiang, one of China's major animal husbandry bases, is sure to have a bumper harvest in livestock breeding this year. Based on

the statistics provided by the Regional Animal Husbandry Department, 11.8584 million heads of young stock had been delivered regionwide by the end of May, an increase of 229,500 heads from 11.6289 million over the same period last year. The number of young stock surviving was 11.248 million heads, an increase of 487,700 heads from 10.7603 million heads over the same period last year, with a survival rate of 95.1 percent, up by 2.74 percent from the 92.36 percent over the same period last year. The livestock also put on more flesh than the past year in the wake of winter.

Since last winter, snowfall in some major winter and spring pastures was less than in past years, while the number of livestock on Xinjiang's pastures has increased continuously. This has caused difficulties for the survival of livestock in the winter. Governments at all levels in the region made early preparations for fighting against natural disasters according to the weather forecast. The Regional Animal Husbandry Department dispatched 26 work teams to various counties specializing in animal husbandry, to help grass-roots cadres organize forces to build and repair pens as well as pasturing passages, and to convey grass, fodder, salt, antiepidemic medicine as well as goods and materials including grain and firewood for herders. In 1988, the region cut and stored 3.1 billion kg of grass, and 3.2 billion kg of crop stalks, and manufactured 1.36 billion kg of fodder; all these figures topped records. At the turn of the year, grass and fodder put into the fight against natural disasters increased by 24 percent and 100 percent respectively over the same period in the previous year. The input of these materials effectively guaranteed livestock survival in the winter, pasture transfer, and lamb delivery and nursing. Compared with 1988, the number of young stock dying in the winter was some 290,000 less than in the previous year.

**National Morality Seen in Transition**  
40050505 Beijing GUANGMING RIBAO in  
Chinese 17 Apr 89 p 3

[Article by Gong Qun 7895 5028: "Contemporary China's Moral Perplexity and Progress"]

[Text] In China's social life and cultural development today, morality is losing ground and money worship is on the rise. The phenomena of inattention to credit and reputation, failure to follow rules, extravagance, self-indulgence, and so forth, are spreading. People are tasting the inconstancy of human relationships and other bitter fruits of immorality. What is wrong with today's moral attitudes? Where is the way out?

This moral and spiritual valley in our social and cultural life has appeared with a general trend of gradually weakening political influence on morality in the past decade. While this trend contains irreversible historical progress, it also brings a moral crisis.

The politicization of morality and the moralization of politics are fundamental characteristics of China's moral and cultural tradition. The political relationship between the monarch and his subjects was the core of all ethical relations, and political allegiance was valued as the highest form of ethical conduct. Moralized politics called for the people to show deep love and admiration for their monarch, thus, political coercion was turned into a moral obligation. At the same time, political coercion was also intertwined with the ethical coercion of the patriarchal clan system, which provided political and moral coercion with the backing of common customs. A moral atmosphere was thus formed with coercion as its basic character. It was a heteronomous atmosphere, in which the individual, as the main actor, had no free choice in action, and his duties, whether reasonable and fair, took precedence over everything else. Generally speaking, in this heteronomous atmosphere, as long as the monarch remained politically strong, he also wielded a tremendously coercive moral power. But, when political power became corrupt and the monarch had no real authority, his subjects could hardly remain submissive. The moral coercion would be gone, and so would moral conduct and discipline in society. In the waning years of past dynasties, corrupt officials ran wild, political and moral corruption abetted each other, and, at the same time, hastened the dynasties' demise.

For a rather long period of time following the founding of the People's Republic, the traditional trend of the moralization of politics and the politicization of morality remained basically unchanged. Politicization of morality was carried to extremes during the Cultural Revolution. The politicization of morality is the use of political power to enforce a specific kind of morality and thereby put the moral life of society in a state of coerced heteronomy.

Since China has entered a new historical period, a major change in its moral life has been the separation of the relationship between politics and morality. The focus of the national consciousness on modernization, the reaffirmation of the purpose of socialist production, and the replacement of the concept of "class struggle" by the productivity standard have put an end to the one-sided politicization of individual moral life. The tendency to appraise an individual's moral life from a political viewpoint has weakened, and the heteronomous coercive moral atmosphere has begun to fade away. At the same time, the changes in social life caused by reform and opening to the outside world have helped bring about a multiplicity of choices in moral values. This multiplicity of choices is between good and good, not between good and evil.

The weakening of heteronomy and the multiplicity of choices have sowed a new growing point for the moral spirit: the subjective moral consciousness, that is, an individual's independent identification with and devotion to any moral value, an individual's inalienable right to his own judgment and choice. Practice has shown that China, after the great changes of the past decade and more, can never go back to the old, traditional road of morality, which called for blind obedience and turning the people into docile tools. China's ethical life will finally break away from the yoke of traditional ethics and culture. This will be a great historical progress.

However, subjective moral consciousness is not autonomous moral spirit. The two concepts are not on the same plane. The former refers mainly to the recognition of one's right to independent choice. The latter is to consciously accept certain moral values based on one's independent judgment and choice, establish (or act in accordance with) specific moral rules for self-restraint and self-command, and follow them unwaveringly. Therefore, subjective consciousness is just the first step toward autonomous spirit.

In social life, not only is autonomy yet to be formed, but political heteronomy, already weakened, is further disintegrating. The corruption of political power in the process of reducing its interference in economic activities has caused both the collapse of its restrictive effect on social morality and confusion in human relations. Official profiteering, bribery, and other corrupt phenomena have thrown the moral scales out of balance. Public opinion is powerless, and conscience has turned pale. Good and just people are being ignored, and the noble-minded have become clowns among Philistines. The mob mentality is gaining ground, and various crime gangs have begun to appear.

In today's moral life, progress and decline exist side by side. On the one hand, the realm of good has been expanded and there are more values to choose from. On the other hand, chaotic and other evil conditions in our moral life are also spreading. The latter is the problem.

How can we get out of this chaotic moral valley? Is it still possible to return to the beaten track of heteronomous restriction? Reality shows that the separation of politics from morality is an unavoidable social trend and that political power cannot stem the raging tide, because the social atmosphere in which politics can strengthen morality with the aid of models is gradually disappearing, and because the relationship between people is changing from one of subordination under a product economy to one of equal contract under a commodity economy. With the development of the commodity economy and the final establishment of contracted social relations between people, the heteronomous interference of power in the common people's moral life will end for good.

With no political solution, are we doomed to eternal suffering in a chaotic moral life? No. But because our ethical life is gradually breaking away from the restrictions of our traditional ethics and culture, we must look for a new way, radically different from anything we've seen in the past, to save ourselves. We think that the way out of the crisis lies in the following: First, we must give top priority to intensifying the reforms and rebuilding the relationship between people according to the principle of fairness and justice. We must establish a fair and just relationship and order among people and eradicate the sources of political and economic speculators and upstarts in the political and economic systems, so that the distribution of national income will be fair and reasonable, and all members of society will enjoy equal opportunity in all types of social affairs and activities. Only a fair and orderly relationship can give people a sense of harmony, security, friendliness, and fulfillment. Only then will a moral atmosphere be formed, in which caring for others is noble. Second, while reducing political restriction of the public's moral life, it is necessary to institutionalize and codify ethical requirements for government functionaries, officials, and other political workers in order to eradicate the sources of corruption in government from the system. Third, on the basis of a just and orderly relationship among people, it is necessary to strengthen education and training in the spirit of autonomy to cultivate an autonomous moral spirit among the people. In an environment without heteronomous moral coercion, individuals will have no moral integrity without autonomy and without autonomy the masses in society as a whole will not have lofty ideals. The ultimate accomplishment of autonomous morality will be the most impressive great moral and cultural development of China.

#### Problems in School Administration Called 'Pervasive'

40050546b Beijing ZHONGGUO JIAOYU BAO in Chinese 25 Apr 89 p 3

[Article by Lin Daifeng 2651 1486 1496, Principal, Xinhai Middle School, Jiangsu Province: "Current Problems in the Administration of Schools—Further Discussion of Some Pervasive Problems in School Administration"]

[Text] I have read Wang Xinzong's [3769 2450 1813] "Several Pervasive Problems in School Administration"

in issue 669 of the CHINESE JOURNAL OF EDUCATION and have benefited greatly from it. The five pervasive problems that he listed are indeed common to the great majority of schools. As the principal of a key provincial middle school, I feel after some reflection that Mr Wang's essay dealt with one aspect of the matter, but failed to deal with another aspect—the current difficulties in school administration and the objective realities which have brought about the situation. This essay also lists five pervasive problems and serves as a supplement to Mr Wang's essay. I hope for instructive criticism from my colleagues.

**The first pervasive problem is that the system is unsound.** Responsible officials in the State Education Commission have stated that "the principal is the key to good school management." But how much power do current middle school principals actually have to control decisions? Even a cursory analysis of only the internal leadership structure in schools will easily show where the problem lies, to say nothing of the fact that higher level administrative organs maintain tight control over school personnel and fiscal matters. The current administrative structures of China's middle schools can be divided into two categories. The first is the "principal's division-of-labor responsibility system." (Most schools throughout the nation are under this system.) The second is the "principal responsibility system." (This is being tried only experimentally in a very small number of schools. This experiment has been going on for several years, but the system has not spread widely.) The principal is the school's authoritative representative and shoulders responsibility for the school's educational, general logistic, and moral education work, as well as for the school's security. The principal is responsible for the social welfare of the school's faculty and staff, for work-study programs and physical health and hygiene, and for educational reform. The principal is in the front lines, bears the bulk of this responsibility, and cannot dodge it. However, the actual power that the principal has on the job is not enough. Among the leadership corps in many schools that use the "principal's division-of-labor responsibility system" under party branch leadership, there is a certain amount of disunity. The primary cause of this is that school leadership is inappropriate. Therefore, the principal's lack of decisionmaking power is a pervasive problem in the management of many of today's schools.

**The second pervasive problem is the fact that funds for education are insufficient.** Apart from spending that is fixed according to the number of students, all other public funding for universal education has decreased year after year. Schools have found themselves "pulling at their lapels to conceal their raggedness only to expose the elbows." It is very difficult to maintain normal spending levels. With rising prices, administrative expenses for education have increased in arithmetic progression, and all school leaders have been complaining to high heavens. Money must be spent on educational reform in the schools. To establish vocational

education alone requires a considerable amount of funding as warranty, to say nothing of the application of electronic teaching or other modern educational methods. Most schools are forced to continue using the traditional "one piece of chalk and one book" teaching style. Presently, because of unfair distribution and large income increases in the commercial and other sectors, the income of school faculties and staff has decreased. National appropriations for education have in fact decreased year after year, and income for the great majority of schools from school-run enterprises is very limited. How are social welfare benefits for staff to be increased? This has caused much instability among faculty. There is a strong tendency for young faculty to leave. The old proverb says "if you live near the mountain, live off the mountain; if you live near the water, live off the water," so for a time most schools implemented all sorts of recruitment techniques in addition to the state plan, such as "high-tuition students," "self-supporting students," and "unit-sponsored students." This created a controversy involving exorbitant tuition charges, which caused dissatisfaction in society, and brought criticism from leaders. Teachers everywhere also complained about the extra workload caused by the precipitous increase in the number of students. Principals were faced with dissatisfaction on all sides, and were at a loss for what to do. At the same time, it has been very difficult to prevent teachers, with the resource of their knowledge, from secretly taking on private tutoring jobs to supplement their insufficient income, and normal educational order has been harmed. Under these difficult conditions, how can a principal be able to turn the tide?

**The third pervasive problem is that there is no good way to evaluate educational performance.** It would be no exaggeration at all to say that most schools are now still "eating from the iron rice bowl." The "imperial grains"—wages and bonuses appropriated by the state—cannot be tinkered with casually, because they are related to law, theory, and carrying out of a series of principles. With social welfare funds gathered by the school itself, it is also difficult to establish sufficient gaps between different benefit levels. In order to achieve stability, principals accord equal benefits to everyone. Not only does this take away any distinction between working a lot and working a little, what is more, the nonworkers wag their tails as none of the working faculty do. Not only can they not be criticized, they still get their bonuses.

**The fourth pervasive problem is the presence of barriers between higher and lower levels, and between different departments. It is difficult for personnel to switch jobs.** My school, in accordance with the faculty and staff hiring quotas issued by the Jiangsu Provincial Education Commission, put a total of 38 extraneous workers on the payroll. Due to the fact that the overall personnel system is unsound, links among different systems and administrative regions have been cut. Within the educational system it has been difficult to "digest" these extraneous

employees, and society has been unable to accept them. School-operated enterprises have been difficult to manage, and have had even more difficulty in finding places for these employees. Therefore, the school's limited work has been divided among them, which has created a serious problem of insufficient workloads. A common saying holds that "idleness breeds trouble." Personal disputes that have nothing to do with matters of principle have thus occurred in the school's management. Because personnel cannot be transferred, quality faculty cannot be cultivated. Those who do no work or who work poorly are able to exploit this situation. Under current conditions, in which the work of political thought is "pale and listless," how is a school principal to bring into play the initiative of all personnel?

**The fifth pervasive problem is that there is too much interference from society.** With prevailing practices in society and in the party being what they are, how can key schools refuse to accept when the powerful want to secure admission for their sons and daughters or introduce the sons and daughters of their friends? When schools have to improve facilities and when school-run factories need to secure the means to carry out production, supply, and marketing, how can the sons and daughters of these "connections" be barred outside the school gate? Apart from that, the arts presently are largely unconcerned with social benefit. They cater to the low-class tastes of a few, and produce some newspapers, periodicals, movies, and television shows that should not be produced. "Street literature" is especially pernicious to youth. Teachers' laborious task of political thought education cannot prevent the corrosion of this spiritual poison. As people's commercial awareness has grown stronger, the influence exerted on today's youth by the harmful ideological trend represented by the phrase "head for the money" cannot be underestimated. All of these factors also make the management of schools extremely difficult.

Woe to the school principal! It is time for a comprehensive plan to restore order.

#### **'Education Is Worthless' Theory Permeates Nation**

40050384 Hong Kong PAI HSING [THE PEOPLE] in Chinese No 187, 1 Mar 89 p 24

[Article by Li Min 7812 3046: "The Origin of the Theory of 'Education Is Worthless'"]

[Text] Recently, the CPC convened a conference on educational work, the National People's Congress held a seminar on China's educational issues, and a corresponding policy for developing education was worked out. To say that "it is not too late" for measures to mend the fold after some of the sheep have been lost is clearly self-consolation; it is actually too late.

Educational circles have repeatedly warned the CPC that it will inevitably be punished by history for looking down on education and treating intellectuals with indifference. Qian Jiaju [0578 1367 7467] recently pointed out that this punishment has already appeared; its concrete manifestations are a clear decline in quality of the nation and a flood of ignorant, backward dregs, confronting China with the threat of serious backsliding.

It is commonly known that for the past 40 years, China's educational work has consistently been put in last place among the various kinds of work, and many disheartening slogans have spread throughout society, such as "it is better to sell tea eggs than to make atom bombs" and "even if you study mathematics, physics, and chemistry, you will still end up as a beggar." This shows that the "theory of education is worthless" has already taken root in the hearts of the people and has been generally acknowledged by them.

China has always been known as "the land of etiquette" and "the ancient land of civilization"; how did it gradually evolve into "the land of 'education is worthless'" during the past 40 years? If we seek the root of this concept, Mao Zedong, the self-proclaimed historical giant who rescued the Chinese nation, actually opposed education after he seized political power; his statement "the more one studies, the more reactionary one becomes" was made the supreme directive in the Cultural Revolution and was forcibly instilled into the people.

Actually, Mao Zedong was not at all like uneducated blockheads such as Wang Zhen [3769 7201]; he had read many books, but most of these were traditional thread-bound ancient books, and therefore his thinking contained many remnants of feudalism. The theory of "education is worthless" was absorbed by him from those ancient books. As a child, Mao had ardently worshiped Yan Xizhai [7346 5045 7872] and greatly admired Yan Xizhai's well-known saying "people who study are fools, and the more they study the more foolish they become," and in the next several decades he held in esteem this kind of decadent view of education.

On 13 February 1964, Mao Zedong spoke at the Spring Festival symposium and stated the thesis that education is worthless. He said: "In the Ming Dynasty, there were only two capable emperors: the father and son, Ming Taizu [2494 1132 4371] and Ming Chengzu [2494 2052 4371], one of whom was illiterate and the other of whom did not know many characters, were relatively good emperors. Later, with the arrival of Jia Jing [0857 7231], intellectuals assumed power, but they accomplished nothing and the state was poorly governed; having studied more, they were poor emperors. Liu Xiu [0491 4423] was a blockhead. Much study is extremely harmful." From this statement, it is not hard to see that the theory of "education is worthless" originated with Mao Zedong. During the course of seizing political power through armed revolt, Mao Zedong had repeatedly stated that

without the participation of intellectuals, the revolution could not succeed, and this now seems to perfectly show that Mao Zedong was an out-and-out double-dealer. The brutal persecution of intellectuals during the Antirightist Struggle and the Cultural Revolution showed further that Mao went even further than past tyrants.

Now, the theory of "education is worthless" is constantly being manifested through habitual modes of thinking and is leaving a legacy of trouble for generation after generation. Middle and elementary school students have dropped out of school one after another in recent years, repeatedly arousing a public outcry in society. When asked why they do not study, these young dropouts almost unanimously say: "What use is studying? It is better to get out a little sooner and earn money." Dislike for study has also become common among university students, who are called "heaven's favored ones." Educational departments warn that, since 1987, distaste for studying has become a widespread phenomenon among university students, and that this trend has also aroused a multitude of "waves."

According to news from Shanghai's Fudan University, during the "golden time" for studying from 0800-1000, only 40 percent of the students study; another 10 percent chat, 10 percent watch movies or television, while others carry on love affairs or "do other things." For these students, admittance to the university is equivalent to getting into a social security "strongbox," since 1987, 700-800 students have dropped out of graduate school, and last year a strange phenomenon was that the number of applicants for graduate school entrance exams was less than the number of class spaces. This shows that knowledge and academic records have lost their former attractiveness, and that knowledge no longer is power. Listening to the comments of some university students, we see how deeply the poison of the theory of "education is worthless" has penetrated.

A graduate student at the Zhongshan Medical College says: "We work laboriously, but aside from a diploma and a somewhat higher title, what is enviable about our wages, housing, treatment, and the like?" A student in the Machinery Manufacturing Department of the Anhui Engineering Institute watches helplessly as classmates who were not admitted to the university become self-employed entrepreneurs and get rich, and says with deep feeling: "Being a self-employed entrepreneur is better than four years of arduous study." This naturally has a detrimental effect on the students' enthusiasm for study. Students in some specialized fields for which little demand exists are disheartened because no units have been willing to accept them after graduation, and they say with deep sighs: "Four years of university were as good as wasted." A Zhejiang University student says: "First, we have no backing and, second, we have no connections, and even though we study hard, in the end it is of no use." As to the fact that students ordinarily do not study, and that they cheat on exams, this is an even more common occurrence in universities. Zhongshan

University conducted a survey of its students that found that only 39.6 percent of the students were opposed to cheating, while 46.2 percent of the students felt that "being able to cheat is a skill," "there is no harm in doing it occasionally," or "it doesn't matter." Consequently, prohibitions on cutting classes and cheating on exams has failed time and again, and the school is powerless to do anything about it.

Poisoned by the theory of "education is worthless," society has come to view knowledge as the lowest of all things. During the period of Mao Zedong, the saying "all things are low, only study is high" was severely criticized, and the notorious brownnoser Guo Moruo [6753 3106 5387] even echoed Mao Zedong by saying that it was enough to carefully read four volumes of great works, and that no other books need be read. Knowledge had no value and so, naturally, intellectuals were subhuman. Some people joked that professors were equivalent to 40 jin of pork, and this was no lie. Looking back at the old society, how were intellectuals treated? Lu Xun [7627 6598] wrote in his diary that in February 1913, Lu Xun's monthly salary was 240 yuan; at that time, pork sold for 11.7 yuan per 100 jin, so Lu Xun's monthly salary could buy about 1,200 jin of pork. Nowadays, a professor probably could not hold a candle to him.

Thus, unbelievable cases of covert destruction of intellectuals have appeared in society. For example, China's first doctor of veterinary surgery, Northeast Agricultural Institute postgraduate student Wang Zongming [3769 1350 2494], with his doctoral certificate in hand, actually set up a small stand next to campus to sell cigarettes. Among the street vendors in every large city, many have school badges with red characters on a white background pinned to their chests, and to see them makes one feel boundless anguish. This anguish is the bitter fruit of contempt for education, and the person who planted the tree of bitterness was none other than that historical criminal who took Ming Taizu and Ming Chengzu as models.

#### Position of Women in Society Discussed

HK1805082489 Hong Kong *LIAOWANG* [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 19, 8 May 89 pp 15-16

[Article by Hu Qinghai 5170 3237 3189 and Zhang Chun 1728 2504: "What Is the Position of Women in China After All?"]

[Text] In September 1988, the "Sixth Assembly of the World Productive Forces and Science Union" was held in Montreal, Canada. During that period, the Chinese representatives were told that some people had made a study of the position of women in various countries. According to their statistics, the position of women in China was ranked 132d in the world. There were six standards for judging the position of women, including the attitude toward male and female infants, the rates of schooling of boys and girls, the rates of employment of

young men and women, the rate of women in important leading posts of state organs, the position of women in their homes, and the rate of women's personal property in social wealth.

When these statistics were published in newspapers, they evoked wide repercussions among people in various circles. Some people who had thought that Chinese women were in a high position were greatly shocked and could hardly believe it. Others held that the position of Chinese women was very low and that China deserved to be in the given ranking. How do we gain an overall understanding of the position of women in China? With this question in mind, we interviewed responsible persons of the All-China Women's Federation, asking them to brief us on the situation of Chinese women in the above-mentioned six aspects.

#### The Attitude Toward Male and Female Infants

Since liberation, great changes have taken place in the Chinese people's views on having children. In the cities, most people think that there is no difference in giving birth to a baby boy or a baby girl. But in the countryside, the old concept of having sons to carry on the family line persists. Therefore, most people wish to give birth to male infants. This has been especially true since the policy of encouraging one child per couple was adopted. In some places, female infants are abandoned and female infanticide occurs. In China, there were two high tides of abandonment of female infants and female infanticide. One of these took place in the early 1960's, when the state was suffering from serious natural calamities and life was very difficult. Many people tried to find a way out of their difficulties by selling, abandoning, or killing female infants. The other took place during the period of implementing the family planning policy that encouraged one child per couple. Many people were affected by the feudal idea of regarding men as superior to women. According to the 1983 statistics of a foundling hospital in Wuhan, the hospital was receiving an average of 26 foundlings a month from January to April of that year, all of whom were female. In Hunan's Huaihua County, some 123 female infants were abandoned by their unknown parents in 1987.

Judging from this attitude toward female infants, the problem of looking down upon and discriminating against women is still a serious one in Chinese society.

#### The Rate of Schooling of Boys and Girls

With the development of education, the rate of female students in China has been increasing. In 1957, female students made up only 34.5 percent of the total number of primary students, but the rate grew to 45.4 percent in 1987. In secondary education, the proportion of female students rose from 26.5 percent in 1950 to 43 percent in 1987. In higher education, it grew from 19.8 percent in 1949 to 33 percent.

But the rate of schooling for the female sex is still lower than that for the male sex. The highest rate of schooling for girls at primary school age was only 45.4 percent. In 1987, there were more than 2.7 million unschooled children between the ages of 7 and 11, and 83 percent of them were girls. Of the 230 million people who are illiterate, 70 percent are female, and of the 2 million new illiterate people that emerge each year, 80 percent are female.

In rural and remote areas, the children's rate of school attendance is lower and the rate of students who drop out of school is comparatively higher than in other areas.

#### The Rate of Employment of Men and Women

Over the past 40 years since liberation, the number of employees has been continuously increasing along with the development of economic construction. The number of female employees has also been increasing rapidly. Before the policy of reform and opening up was implemented, there was comparatively full employment for Chinese women. In the cities, almost all adults had jobs. In the rural areas, all young women above the age of 16, except for students, were generally engaged in productive labor. Since reform and opening up, township and town enterprises have been developing vigorously in the countryside. Now there are 50 million female workers in such enterprises. Most of the women who are not working in township and town enterprises are engaged in agricultural production and animal breeding. There are also many specialized households with women as the main body. Judging from the situation of the cities, before reform started, most women had jobs. There were very few unemployed.

The decrease in the employment rate of women has taken place only in recent years. Here are some of the reasons:

- As in reform, people are paying more attention to economic returns, and women's employment is affected by childbirth. This problem exists in all countries.
- As the social service trade is undeveloped in China, people usually do household work in the traditional way.
- Due to the influence of past traditions, Chinese women are less energetic and creative and do not have a good understanding of employment and self-development. Many of them do not have a correct view on choices of work.
- There is also discrimination against women and an attitude of looking down upon women.

#### The Situation of Women's Participation in Political Affairs

This question has been raised from the angle of women's ability to deal with political or social restrictions. Chinese women do not have a great ability to affect social activities. Most of them play their organizing and guiding roles in concrete functional departments with their technological advantages in certain fields and are engaged in concrete businesses and activities.

There is a course of gradual progress for Chinese women to hold important leading posts. Since the founding of new China, women have been participating in the state's leadership work, and society has been forced by the state to accept this leadership. In the people's congresses, there must be a certain number of women deputies. In the county-level leading organs, a policy of having a female county magistrate was once adopted. All this was quite necessary in a certain period. It played an important role in changing the thousand-year-old social tradition that regards the male sex as the center.

Since reform and opening up and the demand for high-level leaders to have real ability and education, an election system of more candidates than posts has been widely adopted so that people can choose those who are capable of making policy decisions as their leaders. However, as women generally have fewer advantages than men in this respect, they often fail in the elections. This has resulted in a sharp decrease in the number of women in leadership posts.

Compared with the parliaments of other countries, the proportion of women deputies in the 6th National People's Congress [NPC] ranked China 49th in the world. In the NPC Standing Committee, women deputies made up 9 percent of its members. This rate was higher than that of the parliaments of the United States, France, Great Britain, and Japan, which were respectively 5.3, 6.4, 6.3, and 1.4 percent. In Great Britain, although the index showing women's participation in government and political affairs is not high, there is a female prime minister, Mrs Thatcher, at the top policymaking level; in the Philippines, there is Mrs Aquino; and in Pakistan, there is Benazir Bhutto. But in China, although the proportion of women participating in political and government affairs is not that low, there is no one at the top level.

The proportion of women in major leading posts in state organs is rather low. The main reasons for this include: First, due to the long history of feudal society in China, the feudal idea of regarding men as superior to women is still deeply rooted in the minds of some people, and the bias that "women are inferior to men" still exists in the training and promotion of cadres. Second, there are comparatively fewer opportunities for women to receive education and participate in social practice. Moreover, they shoulder the task of childbirth. Therefore, they have

greater difficulties in receiving education and participating in social practice. The quality of women as a whole needs to be greatly increased.

#### **The Proportion of Women's Personal Property in Total Social Wealth**

The proportion of women's personal property in total social wealth is comparatively low. However, as the nature of Chinese society is different from that of the Western world, one's personal financial situation does not really reflect one's social status. It can only reflect one's consumption level. In China, one cannot be in a high social position merely because one is as rich as a millionaire or in a low position merely because one is earning 10 yuan a month. There are no statistics in China to compare the income of male workers with that of female workers. A survey carried out in Beijing in 1978 showed that the average wage of male workers was equal to that of grade 5 on the 8-grade wage scale while that of female workers was equal to grade 2.2. The ratio between the wages of male and female workers was 100 to 44.

#### **Women's Position in the Home**

A person's position at home is mainly reflected by his or her possession and control of the family's property, his or her performance of household duties, the interdependent relationship between husband and wife, and the rate of normal sex between them.

##### **1. The possession and control of the family's property.**

In Western countries, both husband and wife have their own property and personal belongings. They handle and control their own property separately and independently. A traditional habit in China is that husband and wife live together and jointly possess their family property. But in the countryside, the equal property inheritance right for men and women prescribed by the Constitution has often been violated. Except for the wife, who still has the right to inherit property, most married daughters have no right to inherit the property of their parents.

There is also a difference between the city and the countryside in the right of husband and wife to control their property. Generally speaking, in the cities, husband and wife have equal right to control their property. But in the countryside, a husband has more right in this respect. However, in consumption, as women are more capable of managing household affairs, the wife has more right to manage consumption. In buying expensive goods, both sides usually have a discussion before making the final decision.

##### **2. The performance of household duties.**

Most men in China do housework. In some families, women do more housework than men, such as cooking, washing, and taking care of children. Heavy housework is usually done by men. Judging from the division of

work between men and women at home, there are no great differences between China and the developed countries. It is not because of their position but because of the undeveloped service trade that Chinese women shoulder heavier household duties.

##### **3. The interdependent relationship between husband and wife.**

In a macroscopic sense, husband and wife are interdependent in China. But looking at it from a psychological angle, women are more dependent on men. A woman usually chooses a man who has better education and a higher professional position as her husband and is usually dependent on him in work and in daily life. This reflects women's lack of independence. If household duties are too heavy, they do not hesitate to give up their opportunities for further study to ensure that their husbands can succeed. This also reflects the strong dependent mentality of Chinese women.

##### **4. The rate of normal sex between husband and wife.**

Sociology holds that the degree of equality and harmony in a sexual relationship between husband and wife is a profound reflection of the equality between men and women. In China, as theories on sex are not well developed, many people (including intellectuals) do not have a good knowledge of sex. Therefore, in sexual relations, most Chinese women are in a passive position, just doing their duty. This is a result of the long-term suppression by the feudal culture. Many people still have a strong feudalistic idea about the question of a sexual relationship between husband and wife.

The above analysis shows that compared with developing countries, and even some developed countries, the indices showing the employment rate of Chinese women and their position at home are comparatively high. China is also doing well in labor protection for women. According to China's labor protection regulations, female workers have 3 months of maternity leave. There is no maternity leave in the United States. But in women's participation in high-level leadership and the attitude toward female infants, there is still discrimination against women.

#### **Public Security Vice Minister on Administrative Procedure Law**

*40050467c Beijing RENMIN GONGAN BAO  
in Chinese 31 Mar 89 p 1*

[Interview with Tao Siju 7118 7475 7467, deputy to the 7th National People's Congress and vice minister of public security, by Ma Yongmei 7456 3057 2734 and Liu Ying 0491 8714, staff reporters of RENMIN GONGAN BAO: "Tao Siju, Deputy to the 7th NPC and Vice Minister of Public Security, Answers Reporters' Questions on the 'Administrative Procedure Law.' ]

[Text] During the second session of the 7th NPC, the reporters asked Tao Siju, deputy to the NPC and vice

minister of public security, to give his view on the "Administrative Procedure Law (Draft)," which is to be adopted by the current session.

**[GONGAN]** Examination and adoption of the "Administrative Procedure Law (Draft)" is one of major tasks of the second session of the 7th NPC. As a deputy to the NPC and vice minister of public security, what is your opinion about this draft law?

**[Tao Siju]** The enactment of the "Administrative Procedure Law" is an important step forward in strengthening and perfecting the legal system. The stipulation of this law that, "the people can sue government officials," is meant to solve some problems in the relationship between cadres and the masses by legal means, which will help the masses supervise state personnel; in addition it will help safeguard the administrative departments in exercising their administrative functions and powers according to law. It will also play a positive role in rectifying the economic order, improving the economic environment, and establishing a new order in the socialist commodity economy.

**[GONGAN]** Some public security personnel hold that judging by the actual conditions in China today, the "Administrative Procedure Law" is much too advanced. There are more and more laws and provisions restricting the public security organs, but too few to protect them. The promulgation of the "Administrative Procedure Law" will make it even harder for the public security organs to function. Therefore, it is not in the interest of public order. Do you agree to this argument?

**[Tao Siju]** No. The "Administrative Procedure Law (Draft)" is basically in keeping with the actual conditions in China and has incorporated some good foreign practices. It is basically feasible. The "Administrative Procedure Law" is of great significance in guaranteeing citizens' legitimate rights and interests, and the task of the public security organs is to protect the people and crack down on crime. The two are generally in line with each other. Of course, in order to do the job, the state and people have given the public security organs some powers, and many laws and regulations have made specific provisions on the powers of the public security organs and people's police, for example, the criminal law, criminal procedure law, regulations governing the people's police, regulations governing offenses against public order, and so forth, which are none too few. However, these powers must be exercised within limits permitted by law, and must not be abused. The "Administrative Procedure Law" can prevent abuse of power. Comrade Mao Zedong said long ago that no innocent person should be wronged, and the "Administrative Procedure Law" will provide the institutional and legal guarantee that no innocent person will be wronged. In the process of implementing the "Administrative Procedure Law" following its passage, our public security organs are likely to face some difficulties in work. With increased work load and higher demands on work quality, we will

have to work much harder. We may see things differently in handling specific cases, but so long as we enforce the law with impartiality, our differences can be resolved step by step.

**[GONGAN]** With the promulgation of the "Administrative Procedure Law," what new demands will be made on our public security organs and personnel?

**[Tao Siju]** First of all, we should study harder. The leadership at all levels in particular must increase their understanding of the legal system in order to meet the new situation following the promulgation of the "Administrative Procedure Law." Public security organs at various levels should specifically select some people to receive short-term training in the legal system and get ready for procedural duties. Cadres and policemen should strive to improve their political and professional qualities, set a higher standard for law-enforcement, and act more strictly according to law. Most of the basic-level cadres and policemen who broke the law did not do so intentionally, but mainly because they lacked professional and legal knowledge. If we make mistakes in performing our legal duties, we should honestly admit our mistakes, and not try to conceal them by acting tough.

**[GONGAN]** Many people think that the police are rude and unreasonable, and they have a lot of complaints about the public security organs. Have you heard any such complaints from the deputies at the current NPC session?

**[Tao Siju]** Many people's deputies think that the police have a hard job and are underpaid, and they have deep sympathy for the police. There are two kinds of criticisms about us. One kind is caused by the lack of openness on the part of our public security organs, and many people do not understand what we are doing. The other kind is caused by the fact that there indeed is corruption in some public security organs. At the current NPC session, many deputies are very concerned about the integrity of the public security organs and the people's police, and they have offered quite a few opinions and suggestions, mainly in five areas: 1) household registration; 2) traffic management, especially corruption in the issuance of license plates and driver's permits; 3) the handling of applications for travel documents to go abroad; 4) confiscation of stolen money and goods, and management of fines and confiscated money and goods; and 5) demands for food and drinks when cases are solved. Public security organs at all levels are trying to solve these problems, but the problems are far from being solved, and the efforts must be continued with unwavering determination. I am all for keeping the public fully informed of our work procedures and results. If we "expose" ourselves, we will not become "rotten." If we see little sunlight, we will become "rotten." We should consciously accept supervision by the masses. The promulgation of the "Administrative Procedure Law" will definitely have a positive effect in enhancing the honesty of the public security organs and eliminating corruption.

**Characteristics of Economic Crimes Changing**  
40050467b Beijing FAZHI RIBAO in Chinese  
17 Mar 89 p 1

[Article by staff reporter Sun Chunying 1327 2504 5391 and trainee Xia Bing 1115 0393: "Six Major Changes in Economic Crimes"]

[Text] An authoritative employee of the Supreme People's Procuratorate pointed out a few days ago that a new situation and new characteristics have developed in economic crimes. In Beijing, economic crimes showed a changing trend last year in frequency, type, method, form, offenders, and so forth.

**Criminals inside and outside and at higher and lower levels tend to gang up and commit crimes together.** In some units, employees have turned their relationship at work from one of mutual supervision into one of collusion, with factory directors, managers, accountants, cashiers, supply and marketing personnel, and budgeting personnel working together as a criminal group. The workers and staff of some units are engaged in blatant graft and bribery in collusion with outside personnel. The extra-large corruption case of the Beijing Municipal Haidian No 1 Urban Construction Co involved 37 accused—among them party members, cadres, supply personnel, and storekeepers, as well as private entrepreneurs and others.

**High-intelligence criminal activities have begun to appear.** As various fields of work enter the era of electronics and microcomputers, criminal methods are also developing in the intelligence direction. Criminal cases involving the use of computers and other complex technological means have occurred repeatedly. According to the Beijing Xicheng District Procuratorate, four such cases occurred in this district in 1988 alone.

**New cases of economic crime are on the rise.** Most of the economic cases handled in 1987 actually occurred in the latter half of 1985 and the first half of 1986, but most of the cases handled in 1988 happened in 1987 and 1988 or were recidivist cases. The Beijing Municipal Procuratorate filed cases for investigation against 667 people in 1988, of whom 489, or 73 percent, began to commit crimes in 1987 or 1988, or were recidivists.

**Most of the corruption and bribery cases have occurred in units such as enterprises, corporations, and centers, and the perpetrators are people with some managerial authority or in charge of money or supplies.** Of the 667 people investigated by the Beijing Municipal Procuratorate, 504, or 75.6 percent, were employees of enterprises. Between January and October 1988, the Xicheng District Procuratorate filed 65 cases for investigation and solved 48 of them. Of the closed cases, 14, or 31.2 percent, involved some corporations, and 9, or 66.7 percent, involved more than 10,000 yuan. [as published]

**Criminals flee with money, and their cases involve more people and places.** In the past, defendants in economic cases used to appear when subpoenaed. Now, they flee to other parts of the country as soon as they are approached.

**Criminal methods are more diversified.** First, criminal methods have become more sophisticated. In the past, embezzlers often juggled the books, altering or forging vouchers and other documents, destroying or shifting accounts, and so forth. Now, they embezzle or take bribes by issuing phony invoices or making fraudulent claims for overtime, bonus, commission, deduction, etc. Second, cooperation is being used as a cover for illegal and criminal activities. These cases are found more often in road-building and construction departments. Third, some contract and lease enterprises have no account books, and there is nothing to audit. Fourth, criminals have become more watchful against detection.

**Provincial, Urban Social Development Assessed**  
OW2806104189 Beijing XINHUA in English  
1003 GMT 28 Jun 89

[Text] Beijing, June 28 (XINHUA)—China's three municipalities of Shanghai, Tianjin and Beijing hold the leading positions in the country's economic and social development, a recent social study found.

The research was carried out by Zhu Qingfang, a scholar from the Institute of Sociology under the Chinese Academy of Social Sciences.

The scholar approved the results through a comprehensive comparison among 40 indices, including social structure, population quality, economic returns, living standards and public security, which were chosen from the 1987 state statistics on social development.

The provinces of Liaoning, Jiangsu, Zhejiang, Guangdong, Jilin, Heilongjiang and Shanxi were also listed among the top ten ranks, she said.

Yet differences are obvious in various areas based on analysis of different comprehensive indices, the scholar noted.

Although Beijing and Shanghai are among the first three places in the social and economic development ranks across the country, they both see more criminal cases and conflagrations, she cited due to their over-dense populations.

Meanwhile, the provinces of Shandong, Hebei, Anhui and Jiangsu enjoy lower crime rates than other parts of the country, according to Zhu Qingfang.

As far as economic performance is concerned, she noted that Jiangsu Province is listed ahead of Tianjin, Shanghai and Beijing.

## NORTHWEST REGION

### Work Report of Gansu Provincial People's Procuratorate

40050490b Lanzhou GANSU RIBAO in Chinese  
17 Mar 89 p 2

[Report on the work of the Gansu Provincial People's Procuratorate, delivered by Du Zhongde 2629 0112 1795, acting chief procurator of the Gansu Provincial People's Procuratorate, at the second session of the 7th Gansu Provincial People's Congress on 2 March 1989]

#### [Excerpts] Fellow Deputies:

I will now submit to this session a report on the procuratorial work in Gansu province in 1988.

#### 1. Continued to strike hard at serious criminal activities, maintained social order.

In 1988, the procuratorial organs in Gansu Province continued to deal relentless blows at serious criminal offenders under the unified leadership of party committees, in close cooperation with the public security organs and people's courts, and adhering to the principle of harsh and swift punishment according to law. They handled 9,727 applications by public security organs for approval of arrest, and approved the arrest of 8,228 offenders after examining the cases. They examined 8,943 cases handed over by public security organs for prosecution, decided to prosecute 7,336 offenders, and exempted 641 from prosecution. To solve the outstanding problems in maintaining social order, numerous special campaigns were launched jointly with the public security organs, courts, and other departments according to provincial plans to deal harshly with vicious and violent crimes and strike at pickpockets, burglars, hooligans, itinerant criminals, narcotics dealers and manufacturers, gamblers, and prostitutes. More than 1,000 procuratorial personnel took part in these special campaigns throughout the province.

In handling cases, the procuratorial organs in the province insisted on acting according to law, carefully examining the facts, checking and verifying the evidence, and distinguishing between what constitutes a crime and what does not. Accordingly they disapproved the arrest of 934 people, because no crime was committed or arrest was unnecessary, and decided not to prosecute 79 people because no criminality was established. At the same time, they arrested 133 and prosecuted 63 more criminals, who should have been arrested and prosecuted, even though no request had been made for their arrest and prosecution. Basically they let no innocent man be wrongly charged and no criminal get away. The procuratorial organs in the province also conscientiously performed their duties in supervising the administration of justice including investigation and adjudication. They made 140 written and verbal notes to the public security organs about the latter's unlawful practices in investigations and 42 written and verbal notes to the courts about unlawful practices in the

judicial process and demanded rectifications in both cases. Acting according to law, they also examined the courts' decisions and orders and presented protests against those in the 39 cases in which actual errors are considered taking place in the determination of facts and application of law. The decisions and orders in 23, or 58.9 percent, of the protested cases were revised, quashed, or remanded for new adjudications by the courts. In exercising supervision over prisons and places of reform through labor, the procuratorial organs made 75 recommendations for correction of unlawful practices, such as holding people in custody without a warrant, improperly allowing inmates to stay out of custody for medical treatment, and illegal activities by persons under surveillance and education.

While handling cases in the course of dealing harsh blows at criminal activities, the procuratorial organs actively participated in the coordinated efforts to improve social order. They visited and observed 404 persons exempted from prosecution and set up 208 help-and-education groups. Some procuratorial organs worked jointly with other units concerned with solving practical problems for those exempted from prosecution and create conditions for them to repent and make a fresh start. The procuratorial organs checked up on 1,231 of the "five types of people" in society, who were being reformed under surveillance. Some of these people had freed themselves from control, or had never been put under control due to negligence, and some supervision and control measures were not implemented. Recommendations were made to the departments in charge of for improvement. In view of the security problems in some units, 752 procuratorial recommendations were presented to them, and 331 units accepted the recommendations, improved their systems, and took disciplinary actions against those who had breached security rules. Continued efforts were made to develop propaganda and education on the legal system. About 430,000 people attended 1,198 publicity meetings and 67 exhibits on the legal system.

At present, social order is basically stable in Gansu Province as a whole, but there are still destabilizing factors affecting social order. Criminal cases have increased, especially major vicious and violent crimes endangering public safety; there are often troubles caused by hooligans and looting by mobs; pickpockets and burglars are running rampant in urban areas; and ugly social phenomena continue to spread despite repeated bans. Approved arrests of offenders increased by 31.3 percent in 1988 over 1987, and a larger proportion of them committed serious crimes including killing, robbery, rape, and major theft. All this indicates that the situation of social order remains grim.

#### 2. Investigated cases of corruption and bribery, dealt harshly with economic crimes.

In 1988, in accordance with the guidelines of the CPC Central Committee Document No 5 and relevant arrangements made by the Supreme People's Procuratorate, the procuratorial organs in Gansu focused their

attack on corruption and bribery and investigated and handled a number of criminal cases in the economic field, involving graft, taking bribes, and misappropriation of public funds. A total of 730 cases of economic crimes were reviewed, and 266 cases were filed, of which 41, or 15.4 percent, were major cases involving more than 10,000 yuan. Among the persons implicated, five were county-level cadres. Investigation was completed on 238 cases; 101 cases and 138 people were prosecuted in court; and 112 cases and 144 people were exempted from prosecution. Among the 282 people prosecuted or exempted from prosecution, 156, or 55.3 percent, were state personnel, and 35 were communist party members. Through the handling of these cases, more than 3.23 million yuan of economic losses was recovered for the state.

To find tips and break new cases, the procuratorial organs in Gansu developed various forms of crime-reporting, and received 644 tips on criminal activities in the economic field. Some procuratorial organs established a work relationship with the discipline inspection, control, industry and commerce, audit, and tax departments to coordinate and cooperate with each other in the fight against corruption and bribery and set up a joint leadership meeting and case transfer system. Some procuratorial organs also cooperated with the tax departments in launching a special struggle against criminal tax evasion and resistance, investigated 24 such cases, and achieved fairly good results.

At present, we are in the process of improving the economic environment and rectifying the economic order, graft, bribery, and other economic crimes are a contributing factor to the chaotic economic situation, a most serious phenomenon of corruption causing great harm. Judging by our work, the struggle against economic crimes has not developed in depth, and we are also lagging behind in investigation with a growing backlog of unsolved cases. True, the cases are difficult, and we are hampered by insufficient funds and backward investigative technology, but there is no denying that much of our failure is attributable to ineffective work guidance and low investigative standards, which cannot meet the requirements of the struggle.

### **3. Strengthened procuratorial work in law and discipline, investigated cases of infringement on citizens' democratic rights and dereliction of duty.**

In 1988, the procuratorial organs in Gansu further strengthened leadership and devoted greater efforts on procuratorial work in law and discipline; investigated and handled cases of infringement on citizens' democratic rights, dereliction of duty, and major accidents due to negligence; and punished some state personnel who had committed such crimes. During the year, they reviewed 580 cases of law and discipline violations, decided to file 164 cases, completed investigation of 162 cases including cases left over from the previous year, prosecuted 81 cases and 121 persons in court, and

exempted 66 cases and 98 persons from prosecution. In handling cases, priority was given to big and important cases. Of the total number of cases handled, 134, or 82.7 percent, were cases of infringement on citizens' democratic rights, dereliction of duty, and major accidents due to negligence, including 19 big and important cases.

In view of the continuing occurrence of cases of infringement on citizens' rights and dereliction of duty, most procuratorial organs strengthened their lateral contacts. Cadres were sent to more than 500 factories, mines, towns, and townships to conduct investigations, and more than 400 clues turned up, leading to the breaking of a fairly large number of cases. In handling cases, attention was paid to acting according to law, adhering to policy, and drawing a strict distinction between mistakes in work and crimes. Those who committed crimes were punished according to law, but those whose mistakes could be handled according party and administrative discipline were not prosecuted as criminals. When the handling of major cases met with obstructions, it was often necessary for the chief procurators to provide concrete guidance and personally appear to remove interferences. More than 50 cases were investigated and settled with the participation and guidance of the provincial procuratorate and its branches, as well as autonomous prefectural and municipal procuratorates, which contributed to the proper handling of law and discipline cases.

Although more law and discipline cases were accepted, filed, and settled in 1988 than in 1987, because of infringement on citizens' democratic rights and dereliction of duty by some state personnel, major accidents due to criminal negligence continued to increase. Moreover, we still had misgivings in the face of obstructions when investigating and handling cases, and our standard of investigation and handling of cases remained low.

#### **4. Inspected and improved law-enforcement.**

In accordance with a decision by the standing committee of the provincial people's congress and the guidelines of a circular issued by the Supreme People's Procuratorate, an inspection was conducted carefully of law-enforcement work in the procuratorial system throughout the province, beginning in June and ending by the end of 1988. A total of 7,779 cases of various types involving 11,215 people, which had been handled since 1987, were examined. Through self-examination and self-correction by each unit, systematic spot checks, and selective spot checks by the standing committees of people's congresses at various levels, it was discovered that 169 people were improperly handled, including 56 wrongly arrested, 16 not but should be arrested, 49 wrongly charged, 9 not but should be prosecuted, and 39 wrongly exempted from prosecution. The mistakes were corrected according to law for 163. It was also discovered that 202 people were detained without a warrant or beyond the legal time limit by public security organs and courts. Recommendations for correction were made on 152. The inspection showed

the following major problems in law-enforcement by the procuratorial organs: Laws are not enforced strictly; law-enforcement personnel break the law themselves; and there is no effective supervision. As a result, in some cases, the facts, evidence, and nature of the offense were not carefully checked, and decisions were made rashly on arrests and prosecution; procuratorial personnel failed to correct mistakes made by themselves in the handling of cases promptly and according to law, but allowed the mistakes to remain uncorrected; and they also failed to call for correction of illegal practices discovered in the course of investigation, preparatory examination, and adjudication.

Experience in the law-enforcement inspection has shown that the procuratorial organs, which have the duty to supervise the enforcement of law, are troubled by their own low law-enforcement standard and will unavoidably break the law themselves sometimes.

#### **5. Actively reformed procuratorial work, improved the legal supervision mechanism step by step.**

In 1988, in accordance with the guidelines from the Supreme People's Procuratorate on reform of procuratorial work, the procuratorial organs in Gansu carried out the following major reforms at selected units on a trial basis:

First, a people's reporting system was set up. Since July 1988, the provincial procuratorate, the branch provincial, autonomous prefectural, and municipal procuratorates, and some of the county and district procuratorates have successively set up 66 economic-crime and law-and-discipline-violation reporting organizations. This is a good form of combining legal supervision with mass supervision in the new situation of reform and opening to the outside world, and it is supported by the people. In just a few months, 1,316 reports were received, giving tips on a variety of cases, of which 810 came under the jurisdiction of the procuratorial organs. Following examination of 477 tips, 53 cases were filed for further investigation. Five persons who had committed crimes in the economic field surrendered voluntarily.

Second, a press spokesman system was established. During the latter half of 1988, the provincial procuratorate and some of the branch provincial, autonomous prefectural, and municipal procuratorates held press conferences to inform the public of the work of the procuratorial organs, the struggle against criminals undermining the economy and endangering public security, the development of the crime-reporting system and other procuratorial work, and how major cases were handled. The press conferences helped publicize the procuratorial organs' functions and responsibilities, increase the openness of law-enforcement activities, solicit and listen to opinions and suggestions, and enhance public understanding and support of the procuratorial organs.

Third, an internal control mechanism was set up for cases investigated by the procuratorial organs themselves. The investigation and preparatory examination of such cases are now handled by the law and discipline department, and the arrest and prosecution by the economic and criminal departments. Formerly a case was initiated and followed through by the same department. So far, 50 procuratorates have made this change.

Fourth, more procuratorial agencies were set up. Based on the experience of the pilot tax investigation office project, more tax investigation offices are being established. So far, 9 branch provincial and municipal procuratorates and 48 county, town, and district procuratorates have set up tax investigation offices, staffed by 208 tax investigation cadres including 75 transferred from the procuratorial organs. The tax investigation offices handled 172 cases of tax evasion and resistance, recovered more than 2.45 million yuan in unpaid taxes and fines, and strengthened tax collection according to law.

#### **6. Improved the quality of cadres, strengthened the ranks of procuratorial workers.**

In the past year, the procuratorial organs in Gansu made improving the political and professional quality of procuratorial personnel a major task and stepped up political and ideological education and cadre training.

Some progress was made in specialized training for cadres. The provincial procuratorate set up a branch school under the television university, and 15 branch provincial, autonomous prefectural, and municipal procuratorates set up television university work stations. More than 1,300 procuratorial workers took television university law courses, and 105 studied at other universities and colleges. It is expected that the professional quality of procuratorial cadres will improve step by step in the next few years.

The number of procuratorial personnel continued to increase. There are now 3,788 procuratorial workers in Gansu, up 15.3 percent from a year ago, and the "three types of specialists" account for 69.5 percent of the total number of procuratorial workers. As a result, some procuratorial organs now have the people to handle all procuratorial tasks.

However, the quality of our procuratorial workers as a whole still falls short of requirement. Some cadres are careless, sloppy, and lacking enthusiasm and initiative in work. Some cadres are unfamiliar with their work, inept in enforcing the law, and unfit for their jobs. There are also a few corrupt and degenerate ones who have violated law and discipline. Five committed crimes and were punished according to law. As far as the leadership is concerned, the main problem is its failure to make strict demands, exercise strict control, and strictly enforce discipline.

**Wego Chiang Discusses National Security Council Budget**

40050493b Taipei TZULI WANPAO in Chinese  
3 Apr 89 p 2

[Report by reporter Kuo Shu-min 6753 3219 2404 on press questions posed to Gen Weigo Chiang—Jiang Weiguo; 5592 4885 0948—secretary general of the National Security Council, 3 April 1989, at the Legislative Yuan: "The President Alone Knows the National Security Bureau Budget"]

[Text] "National Security Bureau [NSB] budget? Even I am not very clear about the details. The president alone knows everything." So stated Gen Weigo Chiang, secretary general of the National Security Council [NSC], this morning at the Legislative Yuan.

The incorporation for years of all NSB outlays into the defense budget has been consistently criticized by the ruling and opposition parties during general budget reviews. And while the Legislative Yuan during last year's budget review made this issue a "matter requiring attention" and demanded that the NSB's budget be restored to the NSC of the Office of the President, the NSB's budget this year has been listed once again, under the code name "Surefire Plan," in the defense budget. In the face of this controversy, Gen Weigo Chiang, NSC secretary general, in response to questions from reporters, stated that only the president knows the entire NSB budget, that "even I am not very clear about the details," and that the NSB budget is incorporated into the defense budget because the NSB budget involves overall defense secrets and because its work is related to the Defense Ministry's military intelligence operations.

Following are excerpts from the interview.

**Question:** The incorporation for years of the entire NSB budget in the defense budget has consistently been the subject of much criticism from Legislative Yuan delegates, who have expressed the hope that the NSB budget would be returned to the NSC. But this year, the NSB budget once again is listed under the Defense Ministry. What is your view on this, Mr Secretary General?

**Answer:** The budget of the entire NSB relates to overall defense secrets and involves international operations, and because its work is related to military intelligence, the president as long ago as 1967 approved that its funding be defrayed by the Ministry of Defense and that the NSB budget be listed under that ministry. The entire world lists national security advisory agency expenditures this way.

**Question:** Why can the NSB budget not be truly made public?

**Answer:** The president alone knows all the projects and plans in the NSB budget; even I am not very clear about the details. The reason council members are not permitted

to know the whole story is because it is feared that members' burdens would be increased. Should security leaks occur, would members wish to bear responsibility therefor?

**Question:** The NSB's budget was not handled in accordance with last year's Legislative Yuan resolution. How will you, Mr Secretary General, deal with the bombardment from Legislative Yuan delegates?

**Answer:** It is with extreme sincerity that I have come to the Legislative Yuan today for questioning. Whatever interpolations are raised regarding the NSB budget, I shall tell everything I know and absolutely will not be evasive.

**Ts'ai Shih-yuan Discusses Vote Buying, DPP Response**

40050493c Taipei TZULI WANPAO in Chinese  
3 Apr 89 p 2

[Interview with Ts'ai Shih-yuan 5591 1709 3220, assistant secretary general of the Democratic Progressive Party, by Wu Tien-jung 0702 0368 5554; place, date not supplied: "Ts'ai Shih-yuan: The Reduction in Size of Electoral Districts Will Make It Easy for the Kuomintang To Practice Fraud; the Democratic Progressive Party Will Organize Oversight Teams To Ferret Out Vote Buying"]

[Text] In view of the possibility of serious vote buying in the general election at the end of this year, Democratic Progressive Party [DPP] Assistant Secretary General Ts'ai Shih-yuan expressed the view that, because of the reduction in the size of electoral districts, vote buying by ruling party candidates will be even more effective this year. He indicated that, to deal with this eventuality, the DPP will invite fair-minded people from the community to form oversight teams so as to watch over all electoral practices and to ferret out vote buying. Following are excerpts from the interview.

**[Wu]** A DPP member was also named on the list of vote buyers published by the Honest Politics Promotion Society. What is your view of that?

**Ts'ai:** I have no idea how the Honest Politics Promotion Society obtained its data, so it is very difficult for me to comment. However, I believe that vote buying in Taiwan is indeed a very serious problem.

**[Wu]** For this year's election, the Kuomintang [KMT] has drawn up a "clean election" plan. What do you think of this plan?

**Ts'ai:** For several decades in Taiwan, the KMT has always claimed to hold fair and open elections and to improve electoral practices, but this, in fact, is not the case. For example, a "group of rich candidates" was trotted out in Taipei Municipality during the 1983 Legislative Yuan election. How does this constitute improving electoral

practices? And reports from everywhere indicate that the KMT plans to nominate this "group of rich candidates" again this year. How does this constitute cleaning up electoral practices?

In fact, vote buying in Taiwan stems from many years of KMT connivance with KMT members. Vote buying seriously perverts the purpose of using elections to express the will of the people, and the DPP has for many years spared no effort in attacking vote buying.

*[Wu]* Do you believe that vote buying will once again prove effective in this year's general election?

*Ts'ai:* It depends on how many people buy votes. In past elections, most vote buying was done by KMT candidates, so the question usually was a matter of KMT candidates competing among one another; a voter might receive payments from many candidates, and thus vote buying was not very effective.

But this time, the electoral districts have been reduced in size and there will be fewer candidates and vote buyers, which will increase vote buying effectiveness.

*[Wu]* Since you believe that vote buying effectiveness will improve, does the DPP have a measure with which to counter [vote buying]?

*Ts'ai:* The DPP will ask fair-minded people from the community to form "oversight teams" because the Election Commission's election affairs teams are also controlled by the KMT, so I believe the DPP should invite fair-minded people to form additional "oversight teams" and that all candidates, no matter from which party or faction, should be watched.

*[Wu]* If DPP candidates engage in vote buying during this year's general election, how will your party respond?

*Ts'ai:* If a DPP candidate buys votes, he will face stern punishment. Since the days of the backup force support people unaffiliated with any party have agreed that vote buying is not permissible, because it undermines the resolve of the DPP and nonpartisans to seek a democratic system.

**'Vote Buyers' Fingered**  
40050493a Taipei TZULI WANPAO in Chinese  
2 Apr 89 p 1

[Text] The Taiwan Honest Politics Promotion Society, which is chaired by the celebrated folk artist Wu Le-tien [0702 2867 1131], recently published, as newspaper advertisements, two lists of data on "vote buying" supplied by the Taiwan Fairness in Elections Committee. Persons named in the lists as vote buyers include sitting county magistrates, Legislative Yuan delegates, and provincial assemblymen. And according to the data presented in the lists, payments ranged from NT\$150 [new Taiwan dollars]

to NT\$250 per vote, and vote buying rates are around 80-90 percent, meaning that each person fingered spent as much as NT\$20-30 million to buy votes.

The ads reportedly have not only aroused the "deep concern" of the parties named but also attracted "attention" from other relevant quarters and convulsed the political arena. Several sitting Kuomintang [KMT] officials named in the ads have already begun networking to come up with a response and have informed central party authorities and asked the latter for help in resolving the matter.

The Honest Politics Promotion Society is running the ads in a series under the general title "Declaration on Cleaning Up Elections." The recent ads were run separately on 27 and 31 March, and the society indicated that the ads would continue until the eve of the elections at the end of this year and would name as many as 260-some vote buyers.

The ads state that stamping out vote buying has been the consistent objective of the Honest Politics Promotion Society. And the data assembled by the society indicate that approximately 60 percent of all current popular representatives have ties to the underworld and that 70 percent are single-mindedly bent on selfish gain. To protest the KMT's connivance in its candidates' vote buying, degrading of politics, and indifference toward the will of the people and to induce popular representatives to respect the people's will and to speak for the public good, the society will publish at irregular intervals lists of officials who have relied on vote buying to get elected so as to persuade all social quarters to work together for democratic and clean politics.

The two lists published by the society accuse a total of 10 people of vote buying, of which 9 are KMT members, including Pingtung County Magistrate Shih Meng-hsiung, Tainan Mayor Lin Wen-hsiung, Legislative Yuan Delegate Li Tsung-jen, Provincial Assemblyman Liu Ping-wei, Taipei County Executive Lin Feng-cheng, Miaoli County Executive Hsieh Chin-t'ing, Taichung Mayor Chang Tzu-yuan, Legislative Yuan Delegate Lin Keng-shen, and Provincial Assembly Deputy Speaker Huang Chen-ch'iu. The other person named is Ts'ai Chieh-hsiung, a member of the Democratic Progressive Party and provincial assemblyman from Tainan City.

Several parties named in the ad issued denials and argue that the Honest Politics Promotion Society has a specific goal in mind and that the society's motives are by no means pure. The society, on the other hand, says that it has evidence to back all its claims, that it invites the people named to bring suit, and that it has already assembled a team of lawyers to meet any challenge at any time.

None of the people named have yet formally to bring suit, but future developments remain in flux, and all quarters are carefully watching to see if a political storm erupts.

**Retail Sales Growth Slows in First Quarter**  
HK0206052989 Hong Kong *SOUTH CHINA MORNING POST (BUSINESS POST)* in English  
2 Jun 89 p 1

[By Amelia Cabatit]

[Text] Total retail sales for the first quarter of the year rose 16 percent in value and seven percent in volume compared with last year.

This represents a significant slowdown in growth rates for retail sales over the previous four quarters, a government spokesman said.

Particularly slow months for sales were February and March, he added.

Total retail sales rose nine percent to \$8.59 billion in March over the same month last year while volume rose only one percent, according to figures released by the Census and Statistics Department yesterday.

Retail sales of foodstuffs, alcoholic drinks and tobacco rose 13 percent in value and three percent in volume in March, while those for fuel rose eight percent in value and four percent in volume.

Value of retail sales in clothing, footwear and allied products in March rose 36 percent in value and 22 percent in volume; retail sales of consumer durables rose only one percent while dropping four percent in volume.

Figures for other consumer goods for March rose five percent in value and fell two percent in volume.

Analysed by selected trades, department store sales rose 16 percent in value and five percent in volume for March. Supermarkets and motor vehicles and parts rose by 11 percent and seven percent, respectively, in sales value but both remained almost unchanged in sales volume.

Retail sales of consumer durables other than motor vehicles and parts fell one percent in value and six percent in volume during March.

Comparing the first quarter of this year with 1988 according to major trade groups, sales of food-stuffs, alcoholic drinks and tobacco rose 11 percent in value but were almost unchanged in volume.

Clothing and footwear rose 21 percent in sales volume and nine percent in volume, while sales of consumer durables rose 21 percent in value and 11 percent in volume over the quarter.

Comparing March with February, total retail sales fell four percent in value and volume. Seasonal factors can affect direct comparisons, however.

Sales of clothing, footwear and allied products fell five percent in value and seven percent in volume while consumer durables fell 16 percent in value and 13 percent in volume.